We're breaking new ground **every day**

CALFRAC WELL SERVICES

2010 ANNUAL REPORT

A LEADING GLOBAL PRESSURE PUMPER POSITIONED IN THE WORLD'S MOST EXCITING – AND CHALLENGING – ENERGY BASINS.

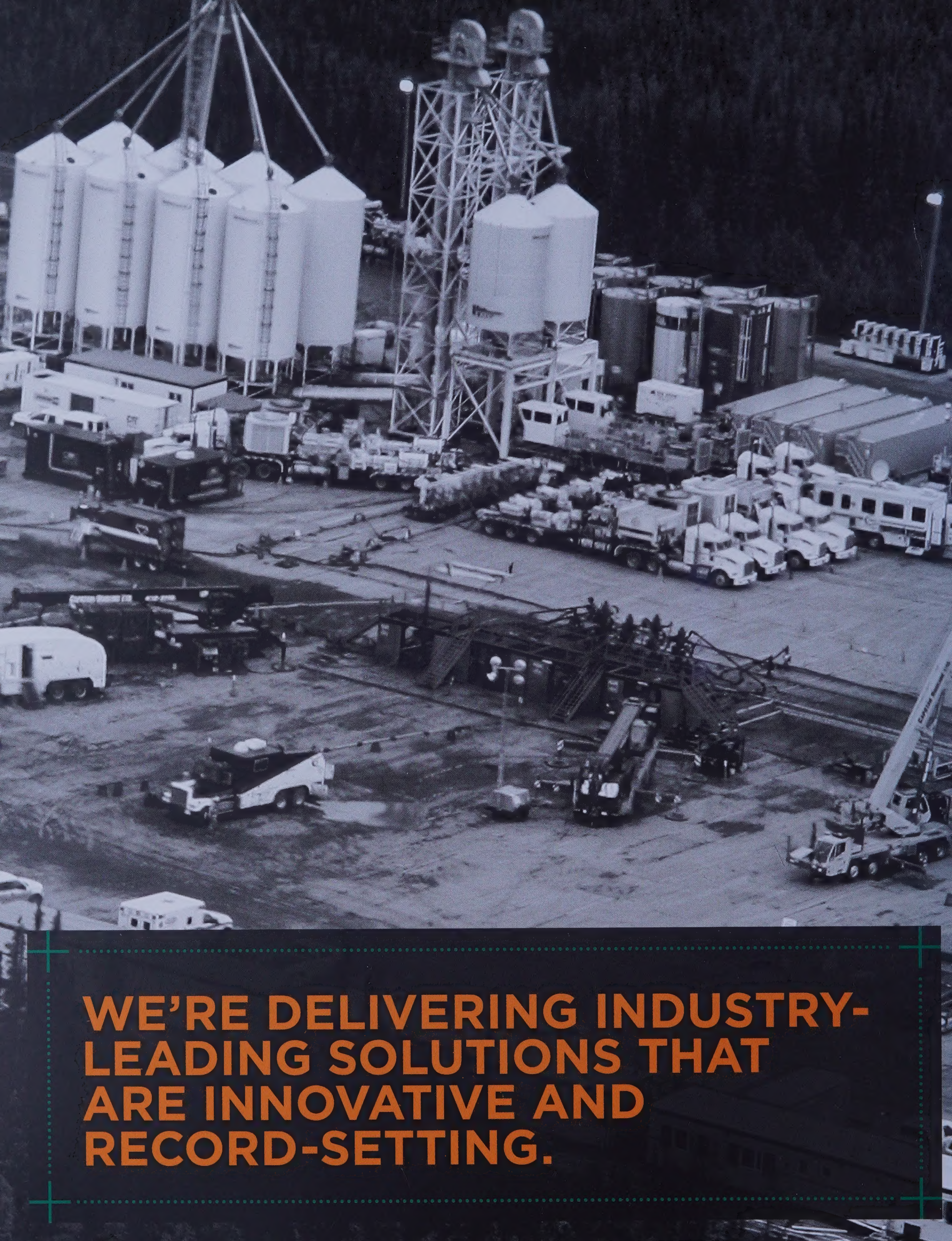
2,600
EMPLOYEES

$935.9 MILLION
REVENUES

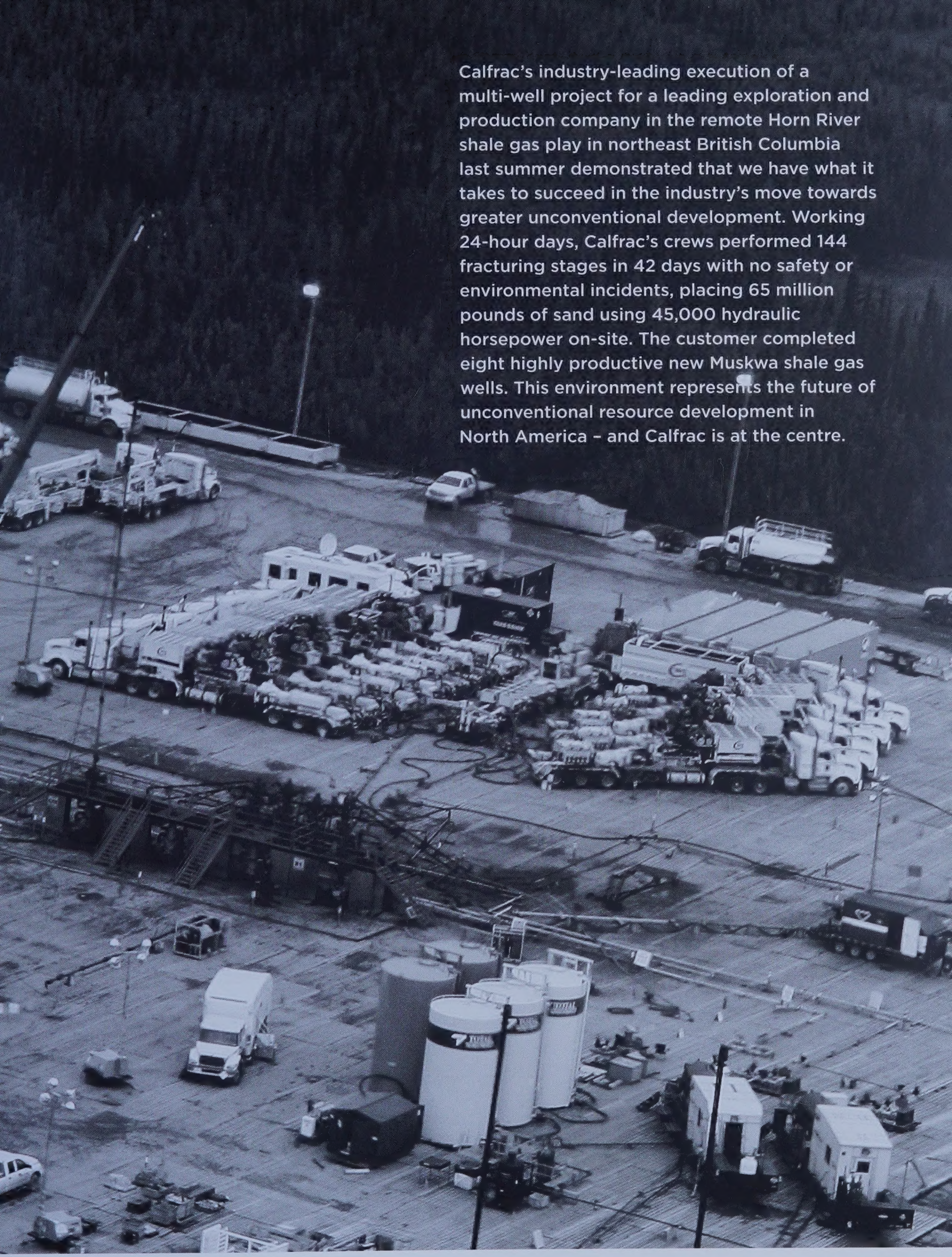
$190.2 MILLION
EBITDA

Being a leading oilfield service provider in today's oil and natural gas sector demands high performance across many areas. You need to have great people, the newest equipment, constantly improving technology, products with a proven ability to improve your customers' productivity and reliable access to key products. All of this must come together to deliver consistent safe performance to the most discerning customers, and to create value for company shareholders.

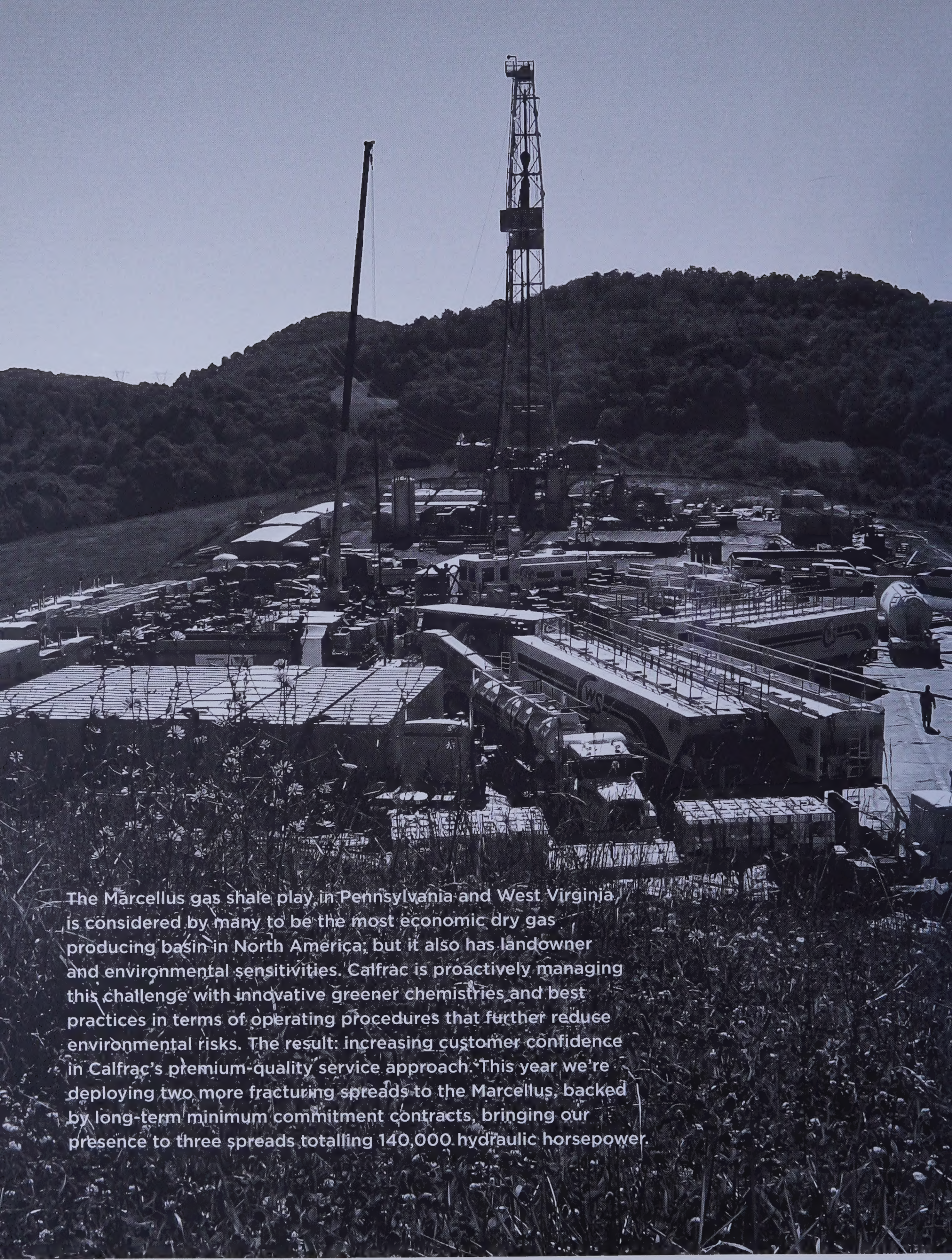
THAT'S CALFRAC.



WE'RE DELIVERING INDUSTRY-LEADING SOLUTIONS THAT ARE INNOVATIVE AND RECORD-SETTING.

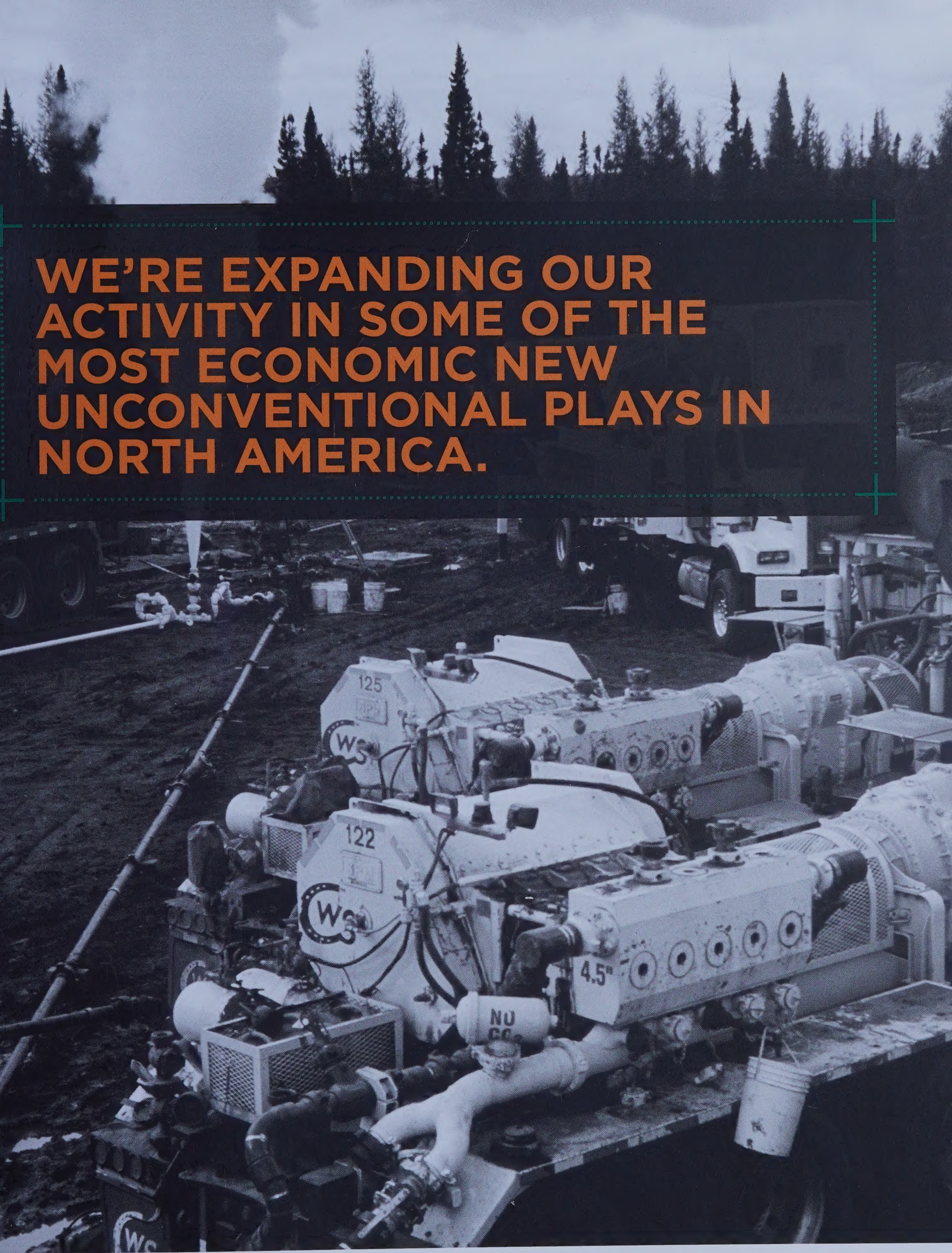


Calfrac's industry-leading execution of a multi-well project for a leading exploration and production company in the remote Horn River shale gas play in northeast British Columbia last summer demonstrated that we have what it takes to succeed in the industry's move towards greater unconventional development. Working 24-hour days, Calfrac's crews performed 144 fracturing stages in 42 days with no safety or environmental incidents, placing 65 million pounds of sand using 45,000 hydraulic horsepower on-site. The customer completed eight highly productive new Muskwa shale gas wells. This environment represents the future of unconventional resource development in North America – and Calfrac is at the centre.



The Marcellus gas shale play in Pennsylvania and West Virginia is considered by many to be the most economic dry gas producing basin in North America, but it also has landowner and environmental sensitivities. Calfrac is proactively managing this challenge with innovative greener chemistries and best practices in terms of operating procedures that further reduce environmental risks. The result: increasing customer confidence in Calfrac's premium-quality service approach. This year we're deploying two more fracturing spreads to the Marcellus, backed by long-term minimum commitment contracts, bringing our presence to three spreads totalling 140,000 hydraulic horsepower.

WE'RE EXPANDING OUR ACTIVITY IN SOME OF THE MOST ECONOMIC NEW UNCONVENTIONAL PLAYS IN NORTH AMERICA.



A CHANGING ENERGY DYNAMIC

4 Key Drivers of Our North American Fracturing Business

1 RENEWED FOCUS ON OIL

A dramatic shift towards oil-directed fracturing activity is occurring as technologies enable producers to unlock new unconventional oil reservoirs while revitalizing older pools. Calfrac's strategy of incorporating a flexible equipment fleet, leading edge engineering capabilities and successful business development has led to a strong position in the continent's largest unconventional oil plays, plus emerging new plays. By the fourth quarter of 2010, Calfrac had grown its oil based activities to 45 percent of total Canadian revenues.

2 TECHNOLOGIES ARE REJUVENATING LEGACY OIL AND NATURAL GAS FIELDS

In addition to opening up new plays like shale reservoirs, energy companies are rejuvenating decades-old pools long thought to be in terminal decline by applying an array of drilling and completions technologies. Calfrac is contributing to this trend – and benefiting from it. Nearly all of these wells require fracturing – our core service. They also need new fracturing chemistries to deliver productive wells from challenging reservoirs. Calfrac continually rolls out improvements to help the energy sector maintain the momentum.

3 WELL SERVICE INTENSITY CONTINUES TO INCREASE

Fracturing horizontal wells with multiple stages requires far more pressure pumping horsepower than in the past – up to 45,000 horsepower on-site. Relatively few service providers can participate in this part of the market with multi-well pad drilling, 24-hour operations and months-long service commitments. Calfrac has invested throughout the commodity price cycle to give its customers the power service needed. After growing to more than 480,000 hydraulic horsepower fleet-wide exiting 2010, Calfrac expects to reach 820,000 horsepower by the end of this year.

4 PRODUCERS ARE SPENDING MORE ON WELL COMPLETIONS

Today's unconventional developments mean more frac stages, more technology and more spending on well completions. Historically, completions services like fracturing represented only 10-15 percent of a new well's total cost. Today the average is estimated at well over 30 percent. In the Horn River of northeast British Columbia, it can approach 60 percent in wells each costing millions of dollars. This creates huge opportunities for expert service providers that can execute under any conditions and in any location.

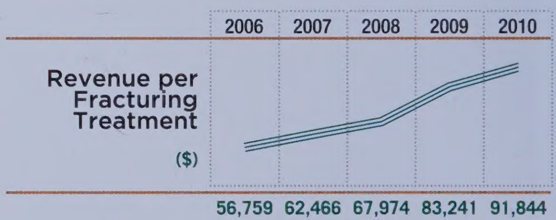
A Leader in North America's Unconventional Plays

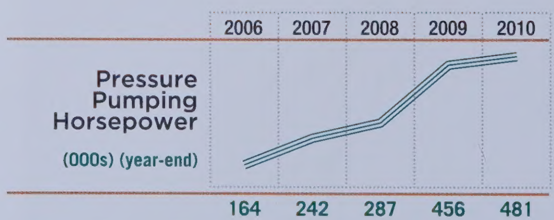
Source: Geological Atlas of Western Canada; The Edge; Canadian Discovery Digest; CIBC World Markets Inc.

HIGHLIGHTS

Years Ended December 31,	2010	2009	Change
(000s, except where otherwise noted)	**($)**	($)	(%)
Revenue	**935,927**	591,500	58
Operating income [1]	**185,442**	71,135	161
EBITDA [1]	**190,166**	68,795	176
Per share			
basic	**4.41**	1.79	146
diluted	**4.35**	1.79	143
Net income (loss)	**53,807**	(5,536)	-
Per share			
basic	**1.25**	(0.14)	-
diluted	**1.23**	(0.14)	-
Funds provided by operations [1]	**161,263**	54,620	195
Per share			
basic	**3.74**	1.42	163
diluted	**3.69**	1.42	160
Capital expenditures	**118,941**	102,176	16
Working capital (end of year)	**342,783**	128,243	167
Total assets (end of year)	**1,115,536**	840,890	33
Shareholders' equity (end of year)	**517,543**	459,932	13
Market capitalization at year-end	**1,489,033**	894,442	67
Weighted average shares (diluted) outstanding (#)	**43,742**	38,475	14
Operating as at December 31			
Pumping horsepower (000s)	**481**	456	5
Coiled tubing units (#)	**29**	28	4
Cementing units (#)	**21**	21	-

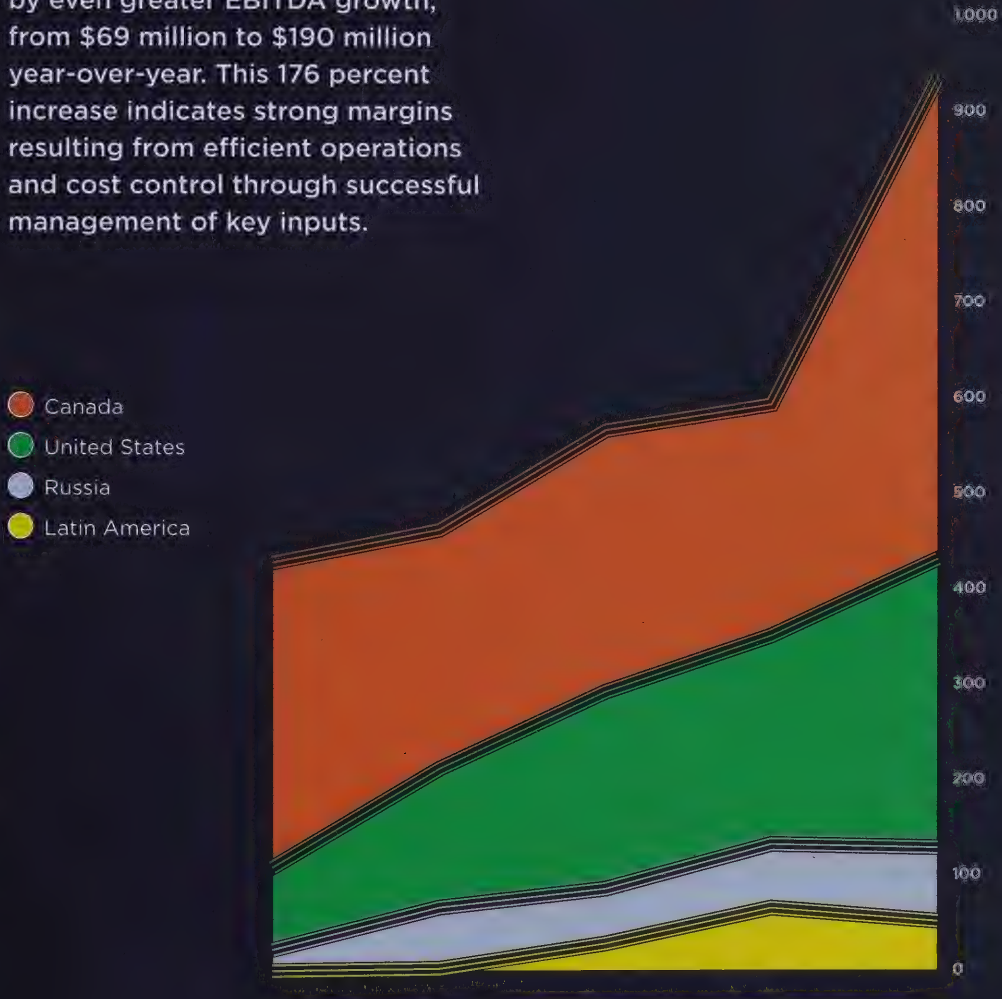
[1] Refer to "Non-GAAP Measures" on page 27 for further information.





Setting Records in 2010

Calfrac's 58 percent revenue growth in 2010 was accompanied by even greater EBITDA growth, from $69 million to $190 million year-over-year. This 176 percent increase indicates strong margins resulting from efficient operations and cost control through successful management of key inputs.



Revenue ($ millions)	2006	2007	2008	2009	2010
	426.4	460.3	564.4	591.5	935.9

LETTER TO SHAREHOLDERS

Doug Ramsay, Chief Executive Officer

We entered 2010 with cautious optimism that Calfrac could achieve operational growth and continued financial success. We had just completed two acquisitions and felt well-positioned to take advantage of any improvement in the market. The year greatly exceeded expectations. The expansion of the market for horizontal wells completed with multiple hydraulic fractures – our core business as a pressure pumper – was much faster than expected. Horizontal activity picked up virtually everywhere Calfrac is active across North America. Our international businesses, based mainly on vertical wells, were not as strong in 2010 but are poised to recover in 2011.

Calfrac's growth in 2010 was driven by the dramatic pace with which the new completions approach is being adopted by the oil and natural gas exploration and production sector. We've been talking to the investment community for several years about the shift into developing shales and tight sand reservoirs using unconventional drilling and completions techniques. Recognizing the great potential in oil as well as gas-bearing reservoirs, the producing companies responded with enthusiasm and innovation. In partnership with their service providers, they've been experimenting, adapting, refining and now applying these new methods to types of reservoirs hardly anyone imagined drilling even a few years ago. We can honestly talk about a transformation in the way energy resources are being developed across North America.

SUCCEEDING IN THE NEW PLAY TYPES

Numerous new gas plays have emerged in the wake of the original Barnett shale in Texas. Calfrac is strongly positioned in the Marcellus in Pennsylvania, the Fayetteville in Arkansas, the Horn River and Montney in northeast British Columbia and the recent horizontal development of the Deep Basin Cretaceous sands in Alberta. Multiple new oil-focused plays are also flourishing, from the Bakken and Niobrara shales in the United States to numerous reservoirs in western Canada. The Bakken shale has made North Dakota the fifth-largest oil-producing state in the U.S. Just two years ago western Canada had one major unconventional oil play outside the oil sands – the Bakken sands – with another three or four in the exploration/testing stages. Today there are four established plays and at least as many new ones being tested.

These plays are more complicated and costly on a per-well basis than typical conventional development. Wells nowadays cost \$3-\$10

million or more apiece, and completions can represent up to 60 percent of the total. Hydraulic fracturing has progressed from a secondary service performed on a limited number of wells to a decisive factor in the success of thousands of wells each year. The fracturing provider has become a key member of the team.

Consequently, our customers' needs and expectations have grown enormously. We're grateful for their confidence in Calfrac. We deliver consistently, and that's why we maintain strong relationships and succeed as a business. Our company has been given the opportunity to be front and centre in some of the most exciting, rewarding – plus technically and operationally challenging – plays across North America. We have evolved our equipment, methodologies, chemistries and employees, as well as how we manage our teams and key commodities. The logistics involved often require the depth of planning and execution found in a military operation.

Consider the Horn River Basin of northeast British Columbia. Our customer, a senior producer, named Calfrac its lead completions contractor for a group of eight wells to be drilled from a common pad in summer 2010. In 42 days we performed 144 fractures with no health, safety or environmental incidents, placing 65 million pounds of sand proppant using our new, high-efficiency Slipstream process. Horn River wells can be extraordinarily productive, as the Muskwa reservoir is arguably the highest-quality shale on-production in North America.

The logistics involving water, fuel, sand proppant, specialty chemicals and innumerable tools and equipment are such that if one part of the equation is missing, overall efficiency drops or the entire program falls apart. The foundation for this project's success included long and intensive joint advance planning sessions with the customer and other suppliers, covering everything from sourcing commodities and speccing equipment to maintenance schedules and camp menus. The sand proppant alone represented approximately 690 "B-train" truckloads which, if parked end-to-end, would stretch 14 miles.

That we were able to deliver with precision and success demonstrates the profound evolution Calfrac has undergone in the 12 years since the Company's inception. We began with four people, including myself, and focused initially on fracturing shallow vertical wells on the Alberta prairies. Today we are a leading North American pressure pumper working with some of the world's largest energy companies, and are active in three and soon to be four international markets. We have 2,600 employees and assets at year-end 2010 of $1.1 billion.

2010 RESULTS

Calfrac's shareholders experienced substantial share appreciation during 2010. This resulted from improving capital market conditions, a rebounding service and supply sector in the energy industry, the continued shift towards completions-intensive unconventional wells – and the things Calfrac did right. These included:

- The continuous improvement in our capabilities, from equipment to employee training to the Company's health, safety and environment management systems;
- Our strong balance sheet, which enabled us to capitalize on opportunities in the previous down-market. Two counter-cyclical acquisitions in late 2009 added 115,000 pressure pumping horsepower, 10 coiled tubing units and infrastructure at good valuations and strongly positioned us in the Saskatchewan Bakken. We wouldn't have been able to do all we did in 2010 without these assets and people;
- Continued investment in our equipment fleet. Capital expenditures totalled

$119 million and added 25,000 hydraulic horsepower, with innovative new equipment designs;

- Greater operating efficiency, such as a growing focus on 24-hour operations for some larger customers. Greater efficiency helps our customers generate higher rates of return at a given commodity price and lowers the break-even price for new wells. Increasing our customers' profitability sustains demand for what we do;
- More sophisticated customer relationships. Hydraulic fracturing has evolved from a largely "commoditized" service into a project-based, collaborative process that includes advance planning, intensive engineering and technology, multiple fractures to groups of wells, analysis of results and refinement for the next project. Joint success generates mutual confidence and sustains relationships; and
- Geographical and commodity diversification across North America and internationally.

Diversification brings many benefits. It positions us strategically in new plays, such as the Marcellus and North Dakota Bakken, which grew strongly in 2010 and promise further growth this year. It enables us to redeploy equipment to areas of greatest activity, maximizing operating efficiency and margins. Our permanent presence in growing energy-producing regions allows us take advantage of opportunities. In Colorado, where lower natural gas prices had driven down multi-zone vertical drilling activity in the Uintah and DJ basins, the Niobrara oil shale picked up in late 2010. Calfrac had pulled back on this region – but not pulled out. We remained there for our customers, and so we were able to benefit when new opportunities arrived. In Alberta, we're a leading provider in the thriving Cardium light oil play, where multi-stage fractured horizontal wells are reviving a 60-year-old producing reservoir.

Calfrac's oil-focused work grew in 2010 representing approximately 45 percent of our Canadian Q4 revenue. As recently as 2008, Calfrac's North American operations were heavily natural gas-focused. Thanks to the strong growth of oil-based work alongside the unconventional natural gas plays, Canadian revenue in 2010 topped $500 million, nearly matching the Company's global revenues of $591 million in 2009. Combined 2010 revenue of $936 million and EBITDA of $190.2 million or $4.35 per diluted share set new corporate records.

Our balance sheet was further strengthened in the fall when we issued US$450 million in ten-year, 7.5 percent senior notes. This enabled us to pay down US$235 million in 7.75 percent notes maturing in 2015 and eliminated conventional bank debt. The resultant financial flexibility enables us to respond to growth opportunities, organically or through acquisition, anywhere worldwide. We exited 2010 with cash of $217 million, working capital of $343 million and a 50 percent increase in our semi-annual dividend to 7.5 cents per share, with the first payout made in January.

HUMAN RESOURCES AND TRAINING

Coming through for our customers every time demands not only efficient equipment and leading fracturing chemistries, but a strong workforce. We've long said we put "people first" and it's no idle slogan. We have

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continually improved our safety systems, our training and our human resources practices. Finding sufficient numbers of motivated and proficient people is a challenge for North America's natural resources industries, and Calfrac's approach gives us a competitive edge. Two examples from our many initiatives show how the right approach can be simultaneously positive for our people and our business.

As fracturing jobs have become more complex and equipment-intensive, the on-site team has typically grown from 10 people to as many as 45. There's far more riding on the field supervisor's shoulders. Accordingly, in 2010 Calfrac partnered with SAIT Polytechnic in Calgary to create a customized industrial management program. We sponsor enrolment in a combination of classroom courses and distance learning, and our people gain human resources skills, supervisory skills and customer relations skills, and earn a post-secondary certificate. We're doing far more than training people to perform tasks, we're creating leaders who help us manage the company by ably managing people on the job site. It strengthens the individual and our business.

We continue to expand rotational work programs in Canada and the United States. Western Canada's oilpatch for decades has drawn thousands of workers from the Atlantic provinces. Many of them do not want to move West permanently. Calfrac's new program helps us recruit highly skilled, experienced workers from Atlantic Canada by offering them permanent, full-time employment on a rotational basis. It's been a huge hit because it lets these individuals maintain everything about the life they love at home while getting a great job with Calfrac. Meanwhile our Grand Junction, Colorado office recently created a 40-member "flying squad" of highly experienced workers for our participation in new play areas, such as the Bakken in North Dakota and the Marcellus in Pennsylvania, on a rotational basis. We're able to recruit top people to deliver crucial new jobs without demanding they uproot their families and relocate. This makes us a stronger player in competitive new areas.

ENVIRONMENTAL PROTECTION

Calfrac's belief in best practices includes environmental protection. Figuring out ways to protect the environment and make better use of resources is nothing new to Calfrac. Our continuous improvements in environmental management include:

- Developing greener chemistries, including rigorously defining what counts as a "green" formula;
- Higher-efficiency vehicle and stationary engines on new field equipment, reducing air emissions including carbon dioxide;
- Reduced physical footprint of our activities through measures like using combined blender-pumper units on smaller jobs, cutting the number of truckloads traversing public roads; and
- Significant improvements to water management, such as using treated municipal effluent as a fracturing fluid in northeast B.C., and using coal mining wastewater for fracturing operations in Pennsylvania. Additionally, we frequently recycle fracturing fluids recovered during well-testing, and we do zero surface disposal of fracturing fluids.

The controversy over shale gas development in Pennsylvania indicates a need for the industry to improve its communication with the public and demonstrate that operators and service companies alike are committed to and are demonstrably using best practices in all operational aspects. Calfrac participated in the recent U.S. Congressional inquiry, submitting all requested technical data. We are not averse to disclosing the contents of our chemistries to responsible authorities. We do, however, believe that exact formulations are proprietary and are not required by regulatory authorities.

We believe the best way to mitigate the public's concerns is through improved education spanning the full cycle of oil and natural gas exploration and development, including fracturing. We have assigned a senior management team member to focus intensively on communication with the public and regulators. This includes attending townhall meetings and working with our customers to ensure that our side is represented and the public receives complete and accurate information.

CORPORATE SUCCESSION PLANNING

We have also taken steps to strengthen the organization's senior level. Gordon Dibb, one of Calfrac's four founders, who has made immense contributions in driving our growth and success while serving in the roles of Chief Financial Officer, Executive Vice President and Chief Operating Officer, has decided to retire in June 2011. I extend my thanks to Gordon, from the bottom of my heart as a colleague, fellow shareholder and friend, for all he has done for our company.

I'm pleased to welcome Fernando Aguilar into his new role as President and Chief Operating Officer. Three years ago Fernando joined our Board of Directors. He has over 25 years' experience in the oilfield services sector, including senior roles with large international service providers in the geophysical services and pressure pumping areas. When we began seeking a replacement for Gordon, Fernando quickly emerged as the top candidate. Everyone at Calfrac welcomes him to the team.

OUTLOOK AND OPPORTUNITIES

We entered 2011 with confidence and a strong financial position, and we foresee the coming year driving further growth in activity, capacity, revenue and EBITDA. The astonishing momentum on the oil side strengthens our expectations for incremental demand driving our business.

We will remain focused on what we're good at – fracturing, coiled tubing and cementing. We'll continue to innovate, working with customers for better solutions, improved efficiencies in the use of our assets, and new technologies brought quickly to market – a Calfrac hallmark. The move towards bigger, heavier and more capital-intensive jobs will continue. The Horn River has moved towards 20-24 fracs per well and 20-24 wells per pad. To meet the increasing demands, we're looking ahead 12-18 months and making arrangements for our fleet needs, commodity needs and human resources needs.

In order to meet demand growth, in late 2010 our Board of Directors approved the largest capital budget in the company's history. The $280 million capital commitment will add a planned 175,000 hydraulic horsepower and other specialized equipment worldwide. We're mindful of the potential for sectoral over-build in pressure pumping capacity towards the end of 2011, and the resulting pricing impact. Our best estimate is that our planned new equipment will be highly utilized, just as the assets acquired in late 2009 encountered strong demand.

We expect expansion in most of our oil and natural gas play areas across North America, including opportunities to further enhance and diversify our model of multi-stage fracturing applications to oil and liquids-rich natural gas reservoirs. Internationally, we foresee continued measured revenue growth in Russia

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as well as the beginnings of a significant new opportunity in Latin America.

Mexico remains uncertain for the near term, following the disappointing 2010 results due to Pemex's budget reductions, but we are maintaining our commitment to improving the profitability of this region because we believe the longer-term potential is substantial. We have reduced operating costs but will continue to add technologies and best practices on a smaller scale, with the ability to build the business when customer demand picks up. In Argentina, our measured expansion into the coiled tubing market verifies the patient, risk-managed approach we took to nurturing this market. We expect business in this market to grow at a moderate pace, and foresee Argentina continuing as a stable part of our global business.

This year, Colombia becomes Calfrac's fourth international market. Colombia has made strides in political stability, internal security and economic development. It is open to foreign investment and corporate participation, and its fiscal regime enables energy producers and service companies to earn a return. Several Canadian-based or Canadian-led companies are active in Colombia, including Calfrac customers from other markets. Our Latin America management team carefully evaluated the opportunity. We're applying our proven model for entering new markets: proceeding at a careful pace, making a limited capital commitment, commencing with a small equipment footprint through the provision of coiled tubing or cementing services, establishing customer relationships and our reputation as a high-quality service provider, all with the goal of fully understanding the operating environment before growing our presence. We're upbeat about prospects in Colombia.

Over the longer term, there is vast potential to lever the experience and knowledge gained in developing the new technologies for North American reservoirs, and applying them to revitalize older plays and initiate new unconventional resource plays around the world. The geology is there, the resource is there and the expertise is readily available.

My management team colleagues and I look forward to the year ahead with as much confidence and optimism as we have ever had in Calfrac's history. I thank everyone at Calfrac for their superb work in 2010. Moving forward we will continue to be guided by our belief that the key to financial success is serving our customers' needs, providing them with industry-leading equipment and chemistries, and continuing our approach of "service first" so that we provide our customers the best-trained, best-motivated and highest-performing workforce in the pressure pumping sector.

On behalf of the Board of Directors,

D.R. Ramsay

Doug Ramsay
Chief Executive Officer
February 28, 2011

THE VALUE OF INVESTING IN CALFRAC

EXPANDING GEOGRAPHICAL FOOTPRINT

Geographical diversification continues to be a driver of Calfrac's long-term strategy, as well as an important risk-mitigation strategy. In 2010, we expanded our North American operations aggressively, entering the North Dakota Bakken play, servicing emerging oil opportunities in southern Alberta, Saskatchewan and southwest Manitoba, participating in the emerging Niobrara oil shale play in Colorado and Wyoming, and expanding our presence in the Marcellus of Pennsylvania and West Virginia. Late in 2010 we announced our planned entry into Colombia in 2011.

SHIFTING TO OIL-BASED REVENUES

Calfrac's success in building its oil-based revenues in North America - complementing its largely oil-based revenues from its international operations – stems from a combination of strong business development, increased on-the-ground presence in key unconventional oil plays, proven performance at delivering productive wells and the counter-cyclical acquisition of Century Oilfield Services and fracturing assets of Pure Energy Services in 2009. With high rates of drilling activity in unconventional oil plays across North America, Calfrac expects its oil-based revenues to increase further in 2011.

LEADERSHIP DEPTH

Calfrac's senior management and executive team members are proven performers, with decades of experience in the pressure pumping sector, international operations, safety culture, human resources, finance and all other aspects of corporate management. In late 2010, Calfrac split the role of President and CEO with Doug Ramsey maintaining the CEO role and Fernando Aguilar joining the Company in the role of President and Chief Operating Officer.

DISCIPLINED FINANCIAL MANAGEMENT

Calfrac has practised consistently disciplined financial management through the peaks and valleys of commodity price and industry cycles. We don't over-reach during the peaks and we don't stand still during the troughs. When acquisition valuations are high, Calfrac focuses on organic growth through equipment builds, while troughs are viewed as good times to perform counter-cyclical acquisitions at good valuations. Exiting 2010, Calfrac had a stellar balance sheet and a conservative capital structure with excellent flexibility.

The Strength of the Calfrac Investment

STRENGTH IN PEOPLE

People are the starting point for everything in the service business. Calfrac's principle of "People First" is not a slogan, it's a way of life. Our number-one priority is providing good training, a safe work environment, a work-safe attitude among all staff and opportunities for advancement. Our approximately 2,600 dedicated, motivated, well-trained and expert staff working in five countries worldwide is a source of pride – and a major competitive advantage.

GROUNDBREAKING TECHNOLOGIES

Calfrac is committed to technical excellence – in our equipment, in our chemistries and fluid systems and the well completions programs, our people prepare for our customers. That's how we attract and keep the most discerning customers in the energy sector. We work continually to improve what we have and to develop new solutions. This includes environmentally friendly chemistries and processes, solutions that improve well productivity in the toughest reservoirs and industry-leading equipment that's reliable, efficient and safe.

BREAKING NEW GROUND IN NORTH AMERICA

CANADA

- Momentum in unconventional oil and liquids-rich gas plays, plus greater capacity due to a late-2009 acquisition, more than doubled revenues year-over-year.
- Growing oil plays include Cardium, Viking and Saskatchewan Bakken.
- Unconventional gas plays include Muskwa (Horn River), Montney and multiple zones in the Deep Basin.
- In 2010, 12,140 wells were drilled, an increase of 45 percent over 2009.
- Oil and liquids-rich work reached 55 percent of Canadian revenue in Q4 2010.
- Trend towards greater service intensity, larger horsepower on-site, 24-hour operations.
- Continued growth foreseen in 2011, including further emergence of new unconventional oil and gas plays.

AT A GLANCE

1,012 employees

$148.9 million operating income

Service lines:

Fracturing and coiled tubing

Regional offices & operating bases:

Alberta: Calgary, Red Deer, Edson, Medicine Hat, Grande Prairie
Saskatchewan: Estevan
B.C.: Fort Nelson, Dawson Creek

UNITED STATES

- Strong results in 2010 with revenue growth of 38 percent year-over-year.
- Major growth areas include Marcellus on the natural gas side and North Dakota Bakken on the oil side, with rig counts at all-time highs in both plays.
- Deploying two fracturing spreads to Marcellus with approximately 100,000 horsepower.
- These are among the most economic gas and oil plays in North America.
- Calfrac established a new base in Williston, North Dakota in 2010.
- Fayetteville shale gas play in Arkansas continuing very strong, with Calfrac operating three fracturing spreads and working for two of the largest area operators.
- In Colorado, emerging Niobrara shale oil play is generating strong results for a number of producers. Calfrac is active and foresees growth opportunities.

AT A GLANCE

664 employees

$65.4 million operating income

Service lines:

Fracturing and cementing

Regional offices & operating bases:

Colorado: Denver, Platteville, Grand Junction
North Dakota: Williston
Arkansas: Beebe
Pennsylvania: Smithfield

EXPANDING OUR OIL PRESENCE

BAKKEN SHALE

In 2010, Calfrac ramped up its activity in "both" of North America's major Bakken oil plays – the tight sands of southeast Saskatchewan and the rapidly growing new shale play in North Dakota. The North Dakota Bakken has become the continent's "poster child" of service intensity. Many wells here are drilled with lateral legs of approximately 10,000 feet and are completed with up to 40 fracturing stages. This represents a major revenue opportunity for fracturing providers. Industry analysts indicate that at current prices this play is highly profitable. An estimated 140 rigs were active in this play in winter 2010. Calfrac foresees major growth opportunities in this region.

CARDIUM TIGHT OIL

This heterogeneous, medium-depth sandstone yielded the largest light oil pool ever discovered in western Canada – but was widely considered to be in terminal decline. Horizontal drilling with multi-stage fracturing has driven a remarkable revival over the past two years, with new wells sprouting from the very outskirts of Calgary, several hundred kilometres northward through west-central Alberta. The premium-priced light oil and strong initial production of up to 1,000 barrels per day have made this a highly profitable play at current oil prices, with a break-even price estimated at below US$60 per barrel of WTI, and producers are continuing to drill several hundred wells per year. Calfrac was an active participant in Cardium development in 2010, and foresees continued strong activity this year.

NIOBRARA SHALE

Calfrac's strong operating presence in the DJ Basin has made the Company ideally positioned to service this evolving oil shale play in northeast Colorado and southeast Wyoming. Calfrac is working for some of the largest players in the Niobrara. A number of producers have been generating promising well results, suggesting the Niobrara could turn into a growth platform. Entering 2011, Calfrac had one fracturing crew with 20,000 HHP active in the Niobrara, with a second fracturing spread currently under construction.

BREAKING NEW GROUND INTERNATIONALLY

RUSSIA

- 2010 revenue increased by 15 percent year-over-year, to $76.6 million, about 8 percent of total Company revenues.
- World's largest combined producer of crude oil and natural gas, and world's third-largest hydraulic fracturing market.
- Calfrac currently provides exclusively oil-focused services.
- Approximately half of jobs are to complete new wells, the other half are recompletions to stimulate existing wells.
- 2011 contracting phase with two large Russian producers completed with high equipment utilization expected to continue throughout 2011.
- Stable operating market, multiple years of financial and operating success for Calfrac.
- Fracturing of gas wells is expected to be a growth opportunity in the three to five year time horizon.
- Opportunity to deploy new technology to revive existing plays.

AT A GLANCE

690 employees

$8.9 million operating income

Service lines:

Fracturing and coiled tubing

Regional offices & operating bases:

Russia: Moscow, Noyabrsk, Khanty-Mansiysk, Nefteugansk

LATIN AMERICA

- Approximately 5 percent of Calfrac's 2010 revenue.
- Active in Latin America since 2007.
- Provide fracturing and cementing in Mexico, and cementing plus coiled tubing in Argentina.
- Good 2010 results in Argentina.
- Weak 2010 results in Mexico due to reduced customer capital spending.
- Dedicated Latin America management team.
- Expanding into Colombia mid-2011.
- Foresee many growth opportunities over the longer term.
- Calfrac methodology to establish new markets:
  - Begin with low-risk, small footprint, typically cementing or coiled tubing operations;
  - Establish local corporate presence, offices, team, equipment, shops;
  - Learn market conditions, build customer relationships; and
  - Grow operations.

AT A GLANCE

134 employees

$6.3 million operating loss

Service lines:

Fracturing, coiled tubing and cementing

Regional offices & operating bases:

Mexico: Mexico City, Reynosa, Poza Rica
Argentina: Buenos Aires, Catriel

STRENGTHENING OUR INTERNATIONAL FOOTPRINT

RUSSIA

Russia is the world's third-largest fracturing market with a large opportunity for growth. Oil-focused activity is expected to increase with a robust commodity price, combined with more focus on stimulating gas wells. Russia's approach of securing energy services through annual and long-term contracting provides stability as well as relatively secure utilization. Calfrac foresees Russia's industry gradually adopting horizontal drilling technology, which would drive increased fracturing activity.

MEXICO

After a strong year in 2009, Calfrac's Mexico operations had a difficult time in the second half of 2010 due to sharp capital budget cuts by Pemex, Mexico's state oil company. Reduced activity curtailed revenue and led to an operating loss for the year. Calfrac expects improved results in 2011 due to higher planned completions activity by Pemex. International service companies, including Calfrac, see Mexico as holding major long-term opportunity to apply modern North American technologies to existing reservoirs.

ARGENTINA

Calfrac began operations, focusing on Neuquén Province in 2008, providing cementing services to domestic and large international customers. Late last year, Calfrac added coiled tubing services. The Company expects revenue growth in 2011 and is hopeful of deploying fracturing equipment to Argentina over time. There appears to be an emerging unconventional shale opportunity in Argentina, as well as conventional production.

COLOMBIA

Calfrac foresees long-term opportunity in this emerging oil market, whose investment-friendly fiscal regime and international contracting terms are attracting significant capital and activity from international energy producers. Calfrac intends to begin operations in mid-2011 with a relatively small footprint expanding into other pressure pumping service lines in 2012 and beyond.

BREAKING NEW GROUND WITH TECHNOLOGY AND ENVIRONMENTAL INITIATIVES

Calfrac works continually to improve its equipment, processes and chemical formulations to help its customers achieve productive wells and to be a leader in environmental protection during pressure-pumping operations. Calfrac's Technology and Training Center in Calgary, Alberta has invested heavily in developing environmentally friendly products and processes. This is part of the Company's core value of social responsibility – which encompasses environmental protection. The Company's senior leadership and Board of Directors are engaged in ensuring that this value is reflected in top-tier performance.

A major focus for energy producers and service providers is to reduce freshwater use for hydraulic fracturing. The approaches include recycling of fracturing fluids as well as sourcing water from non-potable underground reservoirs, from the formation being fractured and, potentially, from wastewater streams such as industrial and municipal effluent. This demands continuous improvements to fracturing chemistries that can perform as required using non-freshwater sources. Calfrac is very proud that it ensures zero surface disposal of fracturing fluids in its operations.

All chemistries developed by Calfrac are thoroughly evaluated and tested before being used in field operations, to ensure they meet or exceed industry standards and regulatory requirements. Calfrac also performs bacterial testing and prevention to minimize souring of oil and natural gas reservoirs.

The Company uses the "12 Rules of Green", published by the U.S. Environmental Protection Agency, as guiding principles in its development of greener chemistries. Recycle, reduce and reuse are key objectives in the formulation of these chemistries.

Calfrac has strengthened its ability to roll out effective new formulations through its new proprietary Calfrac friction flow loop. This state-of-the-art physical scale model simulates what goes on in the wellbore. It provides real-time, on-the-fly, realistic testing of the friction-reducing performance of new fracturing fluid formulations, including the effects of non-freshwater from various sources. It is complemented by Calfrac's new dynamic tube block tester, which enables Calfrac to observe scaling tendencies of brines in the wellbore and evaluate inhibitors.

These innovations are parts of Calfrac's continuous efforts to enable its customers to use and re-use increasingly challenging forms of water that may have high salinity. The ability to recycle this kind of water creates a greener footprint by reducing or eliminating freshwater use in fracturing operations, and by reducing the need for our customers to dispose of saline water byproducts.

The new products and processes are being complemented by increased training of our technical staff and personnel who interact with customers. Our goal is to provide the best possible fracturing solutions for our customers – and sound stewardship of the environment.

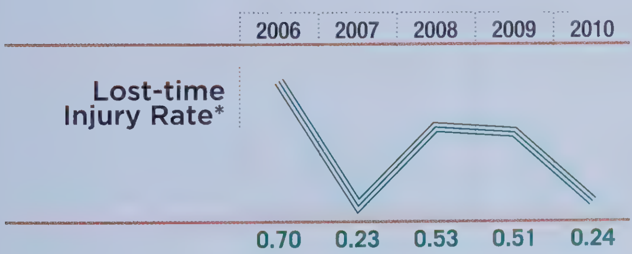
RESPONDING TO THE CHALLENGE OF STAYING SAFE AND HEALTHY

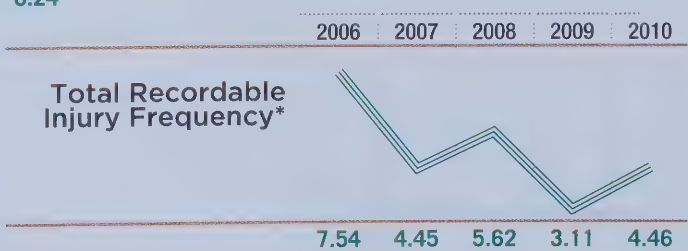
Calfrac puts "People First" – and central to our philosophy are industry-leading safety and training systems. The Calfrac Management System provides sophisticated management-level control over the design and implementation of safety and training programs and performance measurement.

Calfrac again achieved strong safety performance in 2010. The improved LTIR was due to the combined positive effects of Calfrac's rigorous training, on-site safety policies, more prudent workplace practices, improved response to injuries and modern, well-maintained, user-friendly equipment. The 2010 TRIF remains one of Calfrac's best-performing years of the past five, notwithstanding the high levels of field activity and numerous new personnel being integrated into the company. Calfrac's safety managers are instilling a "plan before action" attitude in all personnel, so that hazards are assessed before people move forward with job site activity.

Calfrac has always stressed training, beginning with its Orientation and Training School (OaTS) for all new staff. OaTS has been extended to 15 days to include additional operational training, employing real equipment to simulate field processes such as rigging up "iron" and operating pumping equipment, in conjunction with primers on maintenance, hydraulics and electronics and other key activities.

Calfrac is also improving the effectiveness of its Hazard Identification and Jobsite Safety Analysis programs. Furthermore, the recently enhanced Alberta Certificate of Recognition and basic safety program requires a step-change in safety performance. Calfrac is achieving this through multiple detailed safety improvement plans throughout the Calfrac Management System.





*Canada and U.S. operating statistics only

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of February 28, 2011 and is a review of the financial condition and results of operations of the Company based on Canadian generally accepted accounting principles (GAAP). Its focus is primarily a comparison of the financial performance for the years ended December 31, 2010 and 2009 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010. Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used have been included on page 27.

CALFRAC'S BUSINESS

Calfrac is an independent provider of specialized oilfield services, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services, in Canada, the United States, Russia, Mexico and Argentina.

The Company's reportable business segments during the year ended December 31, 2010 were as follows:

> The Canadian segment is focused on the provision of fracturing and coiled tubing services to diverse oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and southwest Manitoba. The Company's customer base in Canada ranges from large multi-national public companies to small private companies. Calfrac had approximately 211,000 of combined hydraulic fracturing horsepower, 22 coiled tubing units and six cementing units in Canada at December 31, 2010.

> The United States segment of the Company's business provides pressure pumping services from operating bases in Colorado, Arkansas, Pennsylvania and North Dakota. The Company provides fracturing services to a number of oil and natural gas companies operating in the Piceance Basin of western Colorado, the Uintah Basin of northeast Utah and the Denver-Julesburg Basin centred in eastern Colorado and extending into southeast Wyoming, including the Niobrara oil play of northern Colorado. In addition, Calfrac provides fracturing services to customers operating in the Marcellus shale play in Pennsylvania and West Virginia as well as provides fracturing and cementing services to oil and natural gas companies operating in the Fayetteville shale play of Arkansas. In the fourth quarter of 2010, the Company commenced fracturing operations for several oil and natural gas companies in the Bakken oil shale play in North Dakota. At December 31, 2010, the Company deployed approximately 202,000 hydraulic horsepower and operated seven cementing units in its United States segment.

> The Company's Russian segment is focused on the provision of fracturing and coiled tubing services in Western Siberia. In 2010, the Company operated under the terms of eight annual contracts signed with two of Russia's largest oil and natural gas producers. At December 31, 2010, the Company operated six coiled tubing units and deployed approximately 45,000 hydraulic horsepower forming five fracturing spreads in Russia.

> The Latin America segment provides pressure pumping services from operating bases in central and northern Mexico and central Argentina. The Company provides hydraulic fracturing services to Pemex Exploracion y Produccion in the Burgos field of northern Mexico and the Chicontepec field of central Mexico. The Company also provides cementing services in the Chicontepec field. In Argentina, the Company provides cementing and acidizing services to local oil and natural gas companies and commenced coiled tubing operations in November 2010. In its Latin America segment the Company deployed approximately 23,000 hydraulic horsepower forming three fracturing spreads, eight cementing units and one coiled tubing unit at December 31, 2010.

CONSOLIDATED HIGHLIGHTS

Years Ended December 31,	**2010**	2009	Change
(000s, except per share amounts) (unaudited)	**($)**	($)	(%)
Revenue	**935,927**	591,500	58
Operating income [1]	**185,442**	71,135	161
EBITDA [1]	**190,166**	68,795	176
Per share – basic	**4.41**	1.79	146
Per share – diluted	**4.35**	1.79	143
Net income (loss)	**53,807**	(5,536)	–
Per share – basic	**1.25**	(0.14)	–
Per share – diluted	**1.23**	(0.14)	–
Funds provided by operations [1]	**161,263**	54,620	195
Per share – basic	**3.74**	1.42	163
Per share – diluted	**3.69**	1.42	160
Working capital, end of period	**342,783**	128,243	167
Total assets, end of period	**1,115,536**	840,890	33
Long-term debt, end of period	**443,346**	267,351	66
Shareholders' equity, end of period	**517,543**	459,932	13
Cash dividends per share	**0.125**	0.10	25

(1) Refer to "Non-GAAP Measures" on page 27 for further information.

2010 OVERVIEW

In 2010, the Company:

- increased revenue by 58 percent to $935.9 million from $591.5 million in 2009 driven primarily by strong growth in Calfrac's Canadian and United States operations and the contributions from the purchase of fracturing assets from Pure Energy Services Ltd. ("Pure") in August 2009 and the acquisition of Century Oilfield Services Inc. ("Century") in November 2009;

- reported operating income of $185.4 million, an increase of 161 percent from 2009, mainly as a result of high levels of fracturing activity in the unconventional resource plays of western Canada and the United States;

- reported net income of $53.8 million or $1.23 per share, which included the pre-tax impact of $22.7 million of refinancing costs resulting from the retirement of the Company's senior notes originally due in 2015, compared to a net loss of $5.5 million or $0.14 per share in 2009. These non-recurring refinancing charges were incurred to provide additional long-term financial flexibility to the company and exclusive of these additional expenses, net income would have been $1.46 per share;

- completed a total 2010 capital program of $236.0 million which is mainly comprised of equipment for Calfrac's growing operations in Canada and the United States, including the construction of two large fracturing spreads supported by multi-year minimum commitment contracts with large customers focused on the Marcellus shale play in Pennsylvania and West Virginia. Calfrac incurred total capital expenditures of $118.9 million in 2010 and the remainder of the 2010 capital program will be spent in 2011.

- sold redundant Canadian real estate assets from the acquisition of Century for proceeds of $4.8 million and a gain on disposal of $1.1 million;

- generated funds provided by operations of $161.3 million or $3.69 per share versus $54.6 million or $1.42 per share in 2009;

- closed a private offering of US$450.0 million of 7.50 percent senior notes, which will mature on December 1, 2020. The Company used a portion of the net proceeds to repay its outstanding indebtedness, including to fund the tender offer for its 7.75 percent senior notes due in 2015 and its outstanding credit facilities, as well as for general corporate purposes and to pay related fees and expenses. At December 31, 2010, US$4.3 million of the 2015 senior notes remained outstanding and this balance was repaid in February 2011;

- increased its semi-annual dividend by 50 percent from $0.05 per share to $0.075 per share during December 2010 and declared dividends of $5.4 million in 2010 compared to $4.0 million or $0.10 per share in 2009; and

- announced a capital budget for 2011 of $280.0 million. The capital program will focus on further bolstering Calfrac's fracturing, coiled tubing and cementing capacity, infrastructure and logistical capabilities as it continues to expand its presence in the emerging North American unconventional oil and natural gas markets. Additional equipment is also being constructed to support Calfrac's growing Russian and Latin America operations, including the anticipated entry into the Colombian pressure pumping market.

NON-GAAP MEASURES

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under Canadian GAAP and, therefore, are considered non-GAAP measures. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations. These measures may not be comparable to similar measures presented by other entities, and are further explained as follows:

Operating income (loss) is defined as net income (loss) before depreciation, interest, foreign exchange gains or losses, gains or losses on disposal of capital assets, income taxes and non-controlling interest. Management believes that operating income is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac's business segments prior to consideration of how these segments are financed or how they are taxed. Operating income was calculated as follows:

Years Ended December 31,	**2010**	2009
(000s) (unaudited)	**($)**	($)
Net income (loss)	**53,807**	(5,536)
Add back (deduct):		
Depreciation	**79,794**	63,188
Interest, net	**48,785**	15,248
Foreign exchange losses (gains)	**(3,794)**	3,823
Gain on disposal of capital assets	**(930)**	(1,483)
Income taxes	**7,847**	(4,229)
Non-controlling interest	**(67)**	124
Operating income	**185,442**	71,135

Funds provided by operations is defined as cash provided by operating activities before the net change in non-cash operating assets and liabilities. Funds provided by operations is a measure that provides shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures. Funds provided by operations was calculated as follows:

Years Ended December 31,	**2010**	2009
(000s) (unaudited)	**($)**	($)
Cash provided by operating activities	**119,219**	55,927
Add back (deduct):		
Net change in non-cash operating assets and liabilities	**42,044**	(1,307)
Funds provided by operations	**161,263**	54,620

EBITDA is defined as net income (loss) before interest, taxes, depreciation and non-controlling interest. EBITDA is presented because it is frequently used by securities analysts and others for evaluating companies and their ability to service debt. EBITDA was calculated as follows:

Years Ended December 31,	**2010**	2009
(000s) (unaudited)	**($)**	($)
Net income (loss)	**53,807**	(5,536)
Add back (deduct):		
Depreciation	**79,794**	63,188
Interest, net	**48,785**	15,248
Income taxes	**7,847**	(4,229)
Non-controlling interest	**(67)**	124
EBITDA	**190,166**	68,795

FINANCIAL OVERVIEW – YEAR ENDED DECEMBER 31, 2010 VERSUS 2009

Canada

Years Ended December 31,	**2010**	2009	Change
(000s, except operational information) (unaudited)	**($)**	($)	(%)
Revenue	**507,247**	241,821	110
Expenses			
Operating	**343,764**	199,214	73
Selling, General and Administrative (SG&A)	**14,583**	9,743	50
	358,347	208,957	71
Operating income [1]	**148,900**	32,864	353
Operating income (%)	**29.4%**	13.6%	116
Fracturing revenue per job ($)	**124,580**	90,741	37
Number of fracturing jobs	**3,702**	2,372	56
Coiled tubing revenue per job ($)	**26,046**	19,280	35
Number of coiled tubing jobs	**1,768**	1,193	48

[1] Refer to "Non-GAAP Measures" on page 27 for further information.

Revenue

Revenue from Calfrac's Canadian operations was $507.2 million in 2010 versus $241.8 million in 2009. The 110 percent increase was primarily due to higher fracturing activity levels, pricing increases and the completion of larger jobs in the unconventional resource plays located in northern Alberta and northeast British Columbia. In addition, the Company's operations in western Canada during 2010 experienced a significant increase in oil-related fracturing in the Bakken and Viking formations of Saskatchewan and the Cardium play of west central Alberta. This increase was also partially driven by incremental revenue as a result of the acquisition of Century in mid-November 2009, which added 70,000 horsepower and 10 coiled tubing units to the Canadian equipment fleet, combined with higher coiled tubing activity levels and the completion of larger coiled tubing jobs. In 2010, 12,140 wells were drilled in western Canada, an increase of 45 percent from 2009. Of the total wells drilled in 2010, 41 percent were horizontal wells, compared to 29 percent of total wells drilled in 2009.

Operating Expenses

Operating expenses in Canada were $343.8 million during 2010 versus $199.2 million in 2009 mainly due to higher fracturing and coiled tubing activity levels combined with larger job sizes in the unconventional oil and natural gas resource plays of western Canada. In addition, higher operating expenses resulted from Calfrac's larger equipment fleet and the impact of increased 24-hour operations.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations were $14.6 million during 2010, an increase of 50 percent from 2009, primarily due to a larger scope of operations and an increase in personnel and related costs following the acquisition of Century in November 2009, combined with higher annual bonus expenses.

United States

Years Ended December 31,	**2010**	2009	Change
(000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**301,512**	218,276	38
Expenses			
Operating	**225,567**	184,973	22
SG&A	**10,513**	7,410	42
	236,080	192,383	23
Operating income [1]	**65,432**	25,893	153
Operating income (%)	**21.7%**	11.9%	82
Fracturing revenue per job ($)	**64,726**	71,515	(9)
Number of fracturing jobs	**4,459**	2,840	57
Cementing revenue per job ($)	**22,015**	20,259	9
Number of cementing jobs	**586**	749	(22)
Cdn$/US$ average exchange rate [2]	**1.0299**	1.1420	(10)

[1] Refer to "Non-GAAP Measures" on page 27 for further information.
[2] Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations increased during 2010 to $301.5 million from $218.3 million in 2009 primarily due to higher fracturing activity levels in the Rocky Mountain region of Colorado, the Fayetteville shale play in Arkansas and the Marcellus shale play in Pennsylvania and West Virginia, which began operations during the fourth quarter of 2009. In addition, the commencement of fracturing operations in the Bakken play of North Dakota during the fourth quarter of 2010 and larger cementing job sizes contributed to the increase in revenue. This increase was partially offset by the 10 percent decline in the United States dollar against the Canadian dollar and lower cementing activity levels.

Operating Expenses

Operating expenses in the United States were $225.6 million for 2010, an increase of 22 percent from 2009. This increase in operating expenses was primarily due to a higher revenue base and larger equipment fleet resulting from the acquisition of fracturing assets from Pure during the third quarter of 2009 and the 2010 capital program. In addition, operating expenses increased from 2009 due to the commencement of fracturing operations in the Marcellus shale play of Pennsylvania and West Virginia as well as the Bakken oil shale play in North Dakota. These factors were offset partially by the impact of the depreciation of the United States dollar.

SG&A Expenses

SG&A expenses in the United States during 2010 increased by 42 percent from 2009 to $10.5 million primarily due to higher personnel expenses related to the Company's larger scope of operations and higher annual bonus expenses. The Company acquired Pure's fracturing assets during August 2009 and expanded into the Marcellus shale play during the fourth quarter of 2009. In the fourth quarter of 2010, Calfrac also commenced fracturing operations in the Bakken formation of North Dakota. This increase in SG&A expenses was offset slightly by the impact of the decline in the value of the United States dollar against the Canadian dollar.

Russia

Years Ended December 31,	**2010**	2009	Change
(000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**76,595**	66,630	15
Expenses			
Operating	**62,791**	44,032	43
SG&A	**4,860**	3,631	34
	67,651	47,663	42
Operating income [1]	**8,944**	18,967	(53)
Operating income (%)	**11.7%**	28.5%	(59)
Fracturing revenue per job ($)	**82,151**	75,204	9
Number of fracturing jobs	**603**	558	8
Coiled tubing revenue per job ($)	**43,926**	46,983	(7)
Number of coiled tubing jobs	**616**	525	17
Cdn$/rouble average exchange rate [2]	**0.0339**	0.0360	(6)

[1] Refer to "Non-GAAP Measures" on page 27 for further information.
[2] Source: Bank of Canada.

Revenue

During 2010, the Company's revenue from Russian operations increased by 15 percent to $76.6 million from $66.6 million in 2009 primarily due to higher overall fracturing and coiled tubing activity levels, resulting from a larger equipment fleet and contract base combined with an increase in fracturing job sizes. This increase in revenue was offset partially by the impact on equipment downtime due to long periods of cold weather during January and February 2010. Activity was also impacted negatively by lower fracturing activity during the second quarter resulting from a slower pace of development by the Company's customers. In addition, smaller coiled tubing job sizes and the depreciation of the Russian rouble by 6 percent versus the Canadian dollar also slightly offset the increase in reported revenue.

Operating Expenses

Operating expenses in Russia were $62.8 million in 2010 compared to $44.0 million in 2009 primarily due to the higher levels of activity as well as additional expenses related to the provision of proppant and other materials for a new customer in Western Siberia. These factors were offset partially by the depreciation of the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were $4.9 million for 2010 versus $3.6 million in 2009 primarily due to increased personnel supporting Calfrac's larger operating scale in Western Siberia and higher annual bonus expenses, offset partially by the depreciation of the Russian rouble against the Canadian dollar.

Latin America

Years Ended December 31,	**2010**	2009	Change
(000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**50,573**	64,773	(22)
Expenses			
Operating	**53,687**	52,046	3
SG&A	**3,203**	2,115	51
	56,890	54,161	5
Operating income (loss) [1]	**(6,317)**	10,612	(160)
Operating income (loss) (%)	**-12.4%**	16.4%	(176)
Cdn$/Mexican peso average exchange rate [2]	**0.0816**	0.0845	(3)
Cdn$/Argentine peso average exchange rate [2]	**0.2593**	0.3037	(15)

[1] Refer to "Non-GAAP Measures" on page 27 for further information.
[2] Source: Bank of Canada.

Revenue

Calfrac's Latin American operations generated total revenue of $50.6 million during 2010 versus $64.8 million in 2009. Revenue generated through subcontractors decreased in 2010 by $0.4 million to $13.3 million as compared to 2009. The decrease in annual revenue was primarily due to smaller fracturing job sizes and reduced activity in Mexico resulting from Pemex's budget constraints during the latter half of 2010 and security issues throughout the year, smaller cementing job sizes in Argentina and the depreciation of the Mexican and Argentine pesos versus the Canadian dollar. This decrease was offset partially by higher cementing activity in Latin America.

Operating Expenses

Operating expenses in Latin America for 2010 increased by 3 percent from 2009 to $53.7 million. The increase was primarily due to broader scope of operations, including the start-up and commencement of cementing operations in Mexico during the third quarter of 2009 and the start-up costs for the commencement of coiled tubing operations in Argentina. The increase in operating expenses was partially offset by the impact of the decline in the Mexican and Argentine pesos versus the Canadian dollar.

SG&A Expenses

SG&A expenses in Latin America increased by $1.1 million from 2009 to $3.2 million in 2010 primarily due to higher personnel expenses and professional fees, partially offset by the impact of the depreciation of the Mexican and Argentine pesos against the Canadian dollar.

Corporate

Years Ended December 31,	**2010**	2009	Change
(000s)	**($)**	($)	(%)
(unaudited)			
Expenses			
Operating	**5,072**	2,418	110
SG&A	**26,445**	14,783	79
	31,517	17,201	83
Operating loss (1)	**(31,517)**	(17,201)	(83)

(1) Refer to "Non-GAAP Measures" on page 27 for further information.

Operating Expenses

Operating expenses relate primarily to global operations and research and development (R&D) personnel located in the Corporate headquarters who directly support the Company's global field operations. The 110 percent increase in Corporate operating expenses from 2009 was mainly due to higher compensation expenses as a result of an increase in the number of personnel supporting the Company's significant capital programs and larger scope of operations stemming from the acquisition of Century and of Pure's fracturing assets. In addition, the reversal of 2009 wage rollbacks and higher annual bonus expenses resulted in higher Corporate operating expenses during 2010.

SG&A Expenses

For 2010, Corporate SG&A expenses increased by 79 percent to $26.4 million, mainly due to higher annual bonus and stock-based compensation expenses as well as the reversal of wage rollbacks and additional corporate personnel supporting the Company's broader scale of operations.

Depreciation

For 2010, depreciation expense increased by 26 percent to $79.8 million from $63.2 million in 2009. The increase was mainly a result of a larger fleet of equipment operating in North America, resulting from Calfrac's 2009 and 2010 capital programs, the Company's 2009 acquisition of fracturing assets from Pure and the fracturing and coiled tubing equipment acquired in the acquisition of Century in November 2009. This increase was offset partially by the depreciation of the United States dollar versus the Canadian dollar.

Interest, Net

The Company's net interest expense of $48.8 million for 2010 represented an increase of $33.6 million from $15.2 million in 2009. This increase was primarily due to $22.7 million of refinancing costs related to the redemption of US$230.7 million of unsecured senior notes in the fourth quarter of 2010 and the issuance of an additional US$100.0 million in senior unsecured notes during December 2009 primarily to fund the purchase of Pure's fracturing assets and the acquisition of Century in November 2009. This increase was partially offset by lower interest expense related to the Company's senior unsecured notes resulting from the depreciation of the United States dollar.

Foreign Exchange Losses or Gains

The Company incurred a foreign exchange gain of $3.8 million during 2010 versus a foreign exchange loss of $3.8 million in 2009. Foreign exchange gains and losses arise primarily from the impact of foreign exchange fluctuations on the net monetary assets and liabilities of the parent company combined with the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The foreign exchange gain recorded in 2010 was primarily related to the translation of a U.S. dollar-denominated inter-company loan from a subsidiary in the United States to the parent company. As the United States subsidiary is translated using the current rate method, the associated foreign exchange loss is recorded in the Consolidated Statements of Other Comprehensive Income (Loss).

Income Tax Expenses

The Company recorded an income tax expense of $7.8 million during 2010 versus an income tax recovery of $4.2 million during 2009. The effective income tax rate for 2010 was 13 percent compared to 44 percent in 2009. The Company's consolidated income tax provision and effective tax rate are impacted by the mix of earnings or losses from the different jurisdictions in which it operates. Taxable earnings during 2010 were higher in Canada and the United States and lower in Russia and Mexico than in 2009. Furthermore, the effective tax rate on Canadian earnings was reduced during the first quarter of 2010 by the elimination of the deferred credit balance, which resulted from the amalgamation with Denison Energy Inc. ("Denison"). Thereafter, Canadian earnings or losses are subject to income taxes at full statutory rates. In the fourth quarter, the Company incurred substantial refinancing costs related to the redemption of US$230.7 million of unsecured notes due in 2015, which resulted in a net recovery of current income tax and also contributed to the decrease in the effective income tax rate. In addition, Calfrac utilized a capital loss carryforward in the fourth quarter, the benefit of which was not previously recorded, that also contributed to the decrease in the effective tax rate for the year.

LIQUIDITY AND CAPITAL RESOURCES

Years Ended December 31,	**2010**	2009
(000s)	**($)**	($)
(unaudited)		
Cash provided by (used in):		
Operating activities	**119,219**	55,927
Financing activities	**185,285**	70,282
Investing activities	**(99,437)**	(129,114)
Effect of exchange rate changes on cash and cash equivalents	**(13,533)**	(8,517)
Increase (decrease) in cash and cash equivalents	**191,534**	(11,422)

Operating Activities

The Company's cash provided by operating activities for the year ended December 31, 2010 was $119.2 million versus $55.9 million in 2009. The change was primarily due to a $106.6 million increase in funds provided by operations (refer to "Non-GAAP Measures" on page 27) offset partially by a $43.3 million net increase in non-cash working capital. At December 31, 2010, Calfrac's working capital was approximately $342.8 million, an increase of 167 percent from December 31, 2009. The Company reviewed its year-end accounts receivable in detail and determined that a provision for doubtful accounts receivable totalling $1.5 million was adequate. The majority of this provision related to a customer that filed for Chapter 11 restructuring under United States bankruptcy law in 2008.

Financing Activities

Net cash provided by financing activities for 2010 was $185.3 million compared to $70.3 million in 2009. The net issuance of long-term debt in 2010 was $184.8 million compared to $108.9 million in 2009. The net repayment of the bank loan was nil for the year ended December 31, 2010 and $34.6 million for 2009. At December 31, 2010, the Company's total long-term debt was $443.3 million compared to $267.4 million at December 31, 2009.

On November 18, 2010, Calfrac completed a private placement of senior unsecured notes for an aggregate principal amount of US$450.0 million due on December 1, 2020, which bears semi-annual interest of 7.50 percent per annum. The Company used the net proceeds of the offering to repay indebtedness, including to fund the tender offer for a majority of its 7.75 percent senior notes due in 2015, as well as for general corporate purposes and to pay related fees and expenses. At December 31, 2010, US$4.3 million of the 2015 senior notes remained outstanding and this balance was fully repaid in February 2011.

In November 2010, the Company loaned Fernando Aguilar, the Company's President and Chief Operating Officer, $2.5 million for the purpose of facilitating the purchase of common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. It is for a term of five years and bears interest at the rate of 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2.9 million as of December 31, 2010. In accordance with applicable accounting standards regarding share purchase loans receivable, this loan has been classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be, in substance, stock options. As a result, the estimated fair value of the benefit associated with the loan of approximately $1.2 million was recognized as a charge to selling, general and administrative expenses and a credit to contributed surplus.

On September 28, 2010, the Company restructured and renewed its credit facilities with a syndicate of Canadian chartered banks to increase the operating facility from $10.0 million to $15.0 million and decrease the extendible revolving term syndicated facility from $165.0 million to $160.0 million. The interest rate on the revolving term facility is based upon the parameters of certain bank covenants. For prime-based loans, the rate ranges from prime plus 0.75 percent to prime plus 2.25 percent. For LIBOR-based loans and Bankers' Acceptance-based loans, the margin thereon ranges from 2.00 percent to 3.50 percent above the respective base rates for such loans. As of December 31, 2010, the Company had utilized $0.8 million of its syndicated facility for letters of credit, leaving $174.2 million in available credit.

At December 31, 2010, the Company had cash and cash equivalents of $216.6 million, including restricted cash of $4.3 million. A portion of these funds was invested in short-term investments with an institution in the Company's banking syndicate, which consisted primarily of bearer deposit notes and an overnight money market fund.

The Company pays semi-annual common share dividends to shareholders at the discretion of the Board of Directors, which qualify as "eligible dividends" as defined by the Canada Revenue Agency. In December 2010, the Company increased its semi-annual cash dividend from $0.05 to $0.075 per share, beginning with the dividend paid on January 15, 2011, thereby increasing the annual dividend to $0.15 per share beginning in 2011. Dividends were funded by funds provided by operations (refer to "Non-GAAP Measures" on page 27) and totalled $5.4 million and $4.0 million in 2010 and 2009, respectively.

Investing Activities

For 2010, Calfrac's net cash used for investing activities was $99.4 million versus $129.1 million for 2009. Capital expenditures were $118.9 million in 2010 compared to $102.2 million in 2009, which included the acquisition of Pure's fracturing assets for $44.5 million. Capital expenditures were primarily related to supporting the Company's fracturing operations throughout North America.

In March 2010, the Company acquired a non-controlling interest in one of its subsidiaries for approximately $2.0 million. The agreement required an immediate cash payment of approximately $1.5 million as well as a second cash payment to be made in 2011, which is based upon a formula incorporating the earnings generated by the subsidiary during 2010. The second cash payment is estimated to be approximately $0.5 million. The acquisition was accounted for as a step acquisition and the consideration paid has been assigned to goodwill as the fair value of the subsidiary's tangible assets, net of liabilities, was nominal.

On November 10, 2009, the Company acquired all of the issued and outstanding common shares of Century, a privately held fracturing services company operating in Western Canada. Under the terms of the agreement, the purchase price of $90.0 million consisted of approximately $13.5 million of cash plus 5,144,344 common shares of the Company, with an agreed value of $76.5 million. For accounting purposes, the shares issuable in the transaction have a fair value of approximately $82.2 million based on the weighted average price of the Company's shares for the three trading days preceding and the three trading days following the date of the announcement of the agreement. The fair value of the share consideration for accounting purposes is calculated on a different basis than the agreed value and results in a higher recorded purchase price. Including transaction costs, the total consideration was $100.9 million for accounting purposes.

Additionally, net cash used for investing activities in 2010 decreased by $16.3 million from the net change in non-cash working capital from the purchase of capital assets. In 2009, the net change in working capital from the purchase of capital assets increased the net cash used for investing activities by $10.5 million.

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during 2010 was a loss of $13.5 million versus a loss of $8.5 million during 2009. These gains and losses relate to cash and cash equivalents held by the Company in a foreign currency.

With its strong working capital position, unutilized credit facilities and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2011 and beyond.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. The number of shares reserved for issuance under the stock option plan is equal to 10 percent of the Company's issued and outstanding common shares. As at February 28, 2011, there were 43,509,398 common shares issued and outstanding, and 3,427,725 options to purchase common shares.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

		Payment Due by Period			
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
(000s) (unaudited)	**($)**	($)	($)	($)	($)
Operating and capital leases	**28,592**	10,853	12,267	5,005	467
Purchase obligations	**181,554**	153,854	27,700	–	–
Total contractual obligations	**210,146**	164,707	39,967	5,005	467

As outlined above, Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and capital assets.

Greek Legal Proceedings

As described in note 18 to the annual consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. As these proceedings have yet to reach a status where the direction and financial consequences of the potential decisions can be determined with any reliability, management is unable to evaluate its potential financial exposure to these legal proceedings at this time.

Potential Claim

As described in note 18 to the annual consolidated financial statements, the Company has a potential claim related to a contract the outcome of which is not reasonably determinable at this time. The amount of the claim on an after-tax basis is estimated to be approximately $2.1 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2010, which were prepared in accordance with Canadian GAAP. Management is required to make assumptions, judgments and estimates in the application of GAAP. Calfrac's significant accounting policies are described in note 2 to the annual consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipating future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The following accounting policies and practices involve the use of estimates that have a significant impact on the Company's financial results.

Allowance for Doubtful Accounts Receivable

The Company performs ongoing credit evaluations of its customers and grants credit based upon a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. In situations where the creditworthiness of a customer is uncertain, services are provided on receipt of cash in advance or services are declined. Calfrac's management believes that the provision for doubtful accounts is adequate.

Depreciation

Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Company's property and equipment.

Financial Instruments

The Company's financial instruments that are included in the consolidated balance sheet are comprised of cash and cash equivalents, accounts receivable, current liabilities, long-term debt and capital lease obligations.

Fair Values of Financial Assets and Liabilities

The fair values of financial instruments that are included in the consolidated balance sheet, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at December 31, 2010 was $457.7 million before deduction of unamortized debt issue costs of $8.6 million (December 31, 2009 – $239.6 million before deduction of unamortized debt issue costs and debt discount of $11.8 million). The fair values of the remaining long-term debt and capital lease obligations approximate their carrying values, as described in notes 4 and 5 to the annual consolidated financial statements.

Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At December 31, 2010, the Company had a provision for doubtful accounts receivable of $1.5 million related primarily to a customer that filed for Chapter 11 restructuring under U.S. bankruptcy law in 2008.

Payment terms with customers vary by country and contract. However, standard payment terms are 30 days from invoice date. The Company's aged trade accounts receivable at December 31, 2010, excluding provision for doubtful accounts, are as follows:

As at December 31,	**2010**
(000s)	**($)**
Current	**112,537**
31 – 60 days	**51,977**
61 – 90 days	**4,005**
91+ days	**3,115**
Total	**171,634**

Interest Rate Risk

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any debt outstanding that is subject to floating interest rates. The increase or decrease in interest expense for each 1 percent change in interest rates on floating rate debt outstanding at December 31, 2010 amounts to nil (2009 – $0.2 million) because the Company had no floating-rate debt outstanding.

The Company's effective interest rate for the year ended December 31, 2010 was 8.30 percent (December 31, 2009 – 7.50 percent).

Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity position on an ongoing basis to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and continuously monitoring its forecast and actual cash flows. The Company may also adjust its capital spending and dividends to shareholders to maintain liquidity.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where revenues and costs may be denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar, Russian rouble, Mexican peso and Argentine peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and capital assets from vendors in the U.S. In addition, the Company's senior unsecured notes and related interest expense are denominated in U.S. dollars. The amount of debt and interest expressed in Canadian dollars varies with fluctuations in the US$/Cdn$ exchange rate; however, this risk is mitigated by the Company's sizable U.S. operations and related revenue streams.

At December 31, 2010, a change in the value of foreign currencies in the Company's consolidated financial instruments (cash, accounts receivable, accounts payable and debt) would have had the following impact on net income and other comprehensive income:

	Impact to Net Income	Impact to Other Comprehensive Income
(000s)	($)	($)
1% decrease in value of U.S. dollar	1,408	651
1% increase in value of U.S. dollar	(1,408)	(651)
1% decrease in value of Russian rouble	(103)	–
1% increase in value of Russian rouble	103	–

Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least on an annual basis. Goodwill is allocated to reporting segments and any potential goodwill impairment is identified by comparing the carrying value of a reporting segment with its fair value. If any potential impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value. The offset would be charged to the Consolidated Statement of Operations and Retained Earnings as goodwill impairment. The Company completed its annual assessment for goodwill impairment and determined there was no goodwill impairment for the years ended December 31, 2010 and 2009.

Income Taxes

The Company follows the liability method of accounting for income taxes, which evaluates the differences between the financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Estimates of the Company's future taxable income have been considered in assessing the utilization of available tax losses. Calfrac's business is complex and the calculation of income taxes involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations. Calfrac's management believes that the income tax provision is adequate.

Revenue Recognition

Revenue is recognized for services upon completion provided reasonable assurance exists regarding the collectability and measurement of the consideration that will be derived.

Stock-Based Compensation

Calfrac provides stock-based compensation to certain employees in the form of stock options. The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated volatility of the Company's shares and anticipated dividends.

The Company also grants deferred stock units to independent members of its Board of Directors which vest in November of the year of grant and are settled at the option of the Company either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred stock units is recognized equally over the vesting period, based on the current market price of the Company's shares.

The Company grants performance stock units to the Company's most senior officers who are not included in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors of the Company at the meeting held to approve the financial statements for the year in respect of which performance is being evaluated. As with the deferred stock units, performance stock units are settled at the option of the Company either in cash or in Company shares purchased on the open market.

Changes in the Company's obligations under the deferred and performance stock unit plans arising from fluctuations in the market value of the Company's shares underlying these compensation programs are recorded as the share value changes.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policy adopted pursuant to the Canadian Institute of Chartered Accountants' (CICA) Handbook in 2010.

RECENT ACCOUNTING PRONOUNCEMENTS

The following CICA Handbook sections will become effective January 1, 2011:

Section 1582, *Business Combinations*, replaces the previous business combinations standard. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Section 1601, *Consolidated Financial Statements*, which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Section 1602, *Non-controlling Interests*, establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that *International Financial Reporting Standards* (IFRS) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As a result, the Company will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed and implemented a changeover plan to complete the transition to IFRS, including the preparation of required comparative information. The full impact of IFRS on the Company's consolidated financial statements is not reasonably determinable at this time (refer to "Adoption of International Financial Reporting Standards" on page 42).

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer (CEO) and Senior Vice President, Finance & Chief Financial Officer (CFO) of Calfrac are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) for the Company.

DC&P is designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2010. Based on this evaluation, the CEO and CFO have concluded that, subject to the inherent limitations noted below, the Company's DC&P and ICFR are effectively designed and operating as intended.

The Company's management, including the CEO and CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Company have been detected.

There was no change to the Company's ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) would replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting on January 1, 2011, it has developed a project plan, which includes the following key elements:

> determine appropriate changes to accounting policies and required amendments to financial disclosures;

> identify and implement changes in associated processes and information systems;

> comply with internal control requirements; and

> educate and train internal and external stakeholders.

Analysis of Differences Between IFRS and Canadian GAAP

The Company has completed its initial diagnostic phase and analysis of accounting policy alternatives for all areas potentially affecting the Company's consolidated financial statements. This analysis includes assessing available exemptions under IFRS 1 *First-time Adoption of International Financial Reporting Standards* as well as any required system and process changes. The key areas where changes in accounting standards are expected to affect the Company's consolidated financial statements are described below. The standard-setting bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. The differences described below are those existing based on Canadian GAAP and IFRS at December 31, 2010. At this stage, the full impact of adopting IFRS on the Company's consolidated financial statements is not reasonably determinable.

Most of the adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings as at January 1, 2010, which is the first comparative balance sheet. Transitional adjustments relating to those standards for which comparative figures are not required to be restated will only be made as of the date of transition, which is January 1, 2010.

Property, Plant and Equipment

International Accounting Standard (IAS) 16 *Property, Plant and Equipment* requires that each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item be depreciated separately. In addition, IAS 16 provides a choice between using a cost model and revaluation model to measure the value of property, plant and equipment after its initial recognition. The revaluation model does not exist under Canadian GAAP.

The Company has analyzed its significant components of property, plant and equipment, their respective useful lives and salvage values. The Company is in the process of determining the final impact of componentization on the financial results of the Company and has created a componentized model in its accounting system for use upon transition to IFRS.

Foreign Currency Translation

The concepts of integrated and self-sustaining foreign operations as described under Canadian GAAP do not appear in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Instead, IAS 21 focuses primarily on identifying the functional currency of the reporting entity and each of its foreign operations. An entity's functional currency is the currency of the primary economic environment in which it operates.

Operations with a functional currency different from the reporting entity are translated in a method similar to self-sustaining foreign operations under Canadian GAAP (referred to as the "current rate method" in CICA Handbook Section 1651).

The Company has determined that the functional currency of each of its foreign subsidiaries is different from the parent company's. Therefore, Calfrac's foreign subsidiaries in Russia, Mexico and Argentina that are currently translated using the temporal method under Canadian GAAP will be required to translate using the current rate method effective January 1, 2010. The adoption of this standard may have a significant impact on the financial results of the Company, as gains and losses in translation for these foreign operations will now be deferred and included in the shareholders' equity section as accumulated other comprehensive income rather than being included in the statement of income under Canadian GAAP. The adoption of this standard will not affect the foreign currency translation method of the Company's United States subsidiaries.

Impairment of Assets

Canadian GAAP uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 *Impairment of Assets* uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This could result in provisions for impairment in cases where the carrying values of assets cannot be supported on a discounted cash flow basis under IFRS, but had previously been supported on an undiscounted cash flow basis under Canadian GAAP.

However, the extent of any new provisions for impairment might be partially offset by the requirements under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced or eliminated. The Company has identified its cash-generating units and has assessed its assets (property, plant and equipment and goodwill) for impairment as at January 1, 2010, which is required upon transition to IFRS. Calfrac has concluded that as of that date there is no impairment of assets under IFRS.

Income Taxes

Under IFRS, the tax benefit or cost of intercompany sales is recognized whereas the tax impact of these transactions were eliminated under Canadian GAAP. In addition, a deferred credit is not recorded for an asset acquisition where the tax attributes acquired are in excess of the proceeds paid under IFRS.

IFRS 1

The Company has selected its accounting policy choices available under IFRS 1, relating to business combinations, share-based payments, property, plant and equipment, and foreign currency translation.

Project Status

The Company's external auditors are nearing completion of their audit procedures in respect of the Company's opening IFRS balance sheet at January 1, 2010 and the Company is finalizing its 2010 IFRS comparative financial statements. The Company believes that it is on schedule to meet its deadlines for completing the transition to IFRS. The first reporting period under IFRS is for the three months ended March 31, 2011.

Information Systems and Processes

The assessment of the impacts of adopting IFRS on the Company's information technology infrastructure is ongoing and any potential system or process issues are being analyzed concurrently with the analysis of GAAP differences. The testing and implementation of any required system or process changes commenced in the fourth quarter of 2010 and are expected to be finalized during the first quarter of 2011.

Training

The Company has completed its IFRS training to all employees impacted by the IFRS conversion process as well as senior management and the Audit Committee.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties, including those listed below. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth below as well as in the Company's most recently filed Annual Information Form, which is available at www.sedar.com.

Volatility of Industry Conditions

The demand, pricing and terms for fracturing and well stimulation services largely depend upon the level of exploration and development activity for natural gas and oil in North America, Russia and Latin America. Industry conditions are influenced by numerous factors over which the Company has no control, including the level of oil and natural gas prices, expectations about future oil and natural gas prices, the cost of exploring for, producing and delivering oil and natural gas, the decline rates for current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, military, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing. A material decline in global oil and natural gas prices or North American, Russian and, to a lesser extent, Latin American activity levels as a result of any of the above factors could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Warmer than normal winters in North America, among other factors, might adversely impact demand for natural gas and, therefore, demand for oilfield services. If economic conditions deteriorate, a decline in natural gas exploration and production could occur, which could cause a decline in the demand for the Company's services. Such decline could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Seasonality

The Company's financial results are directly affected by the seasonal nature of the North American oil and natural gas industry, particularly in portions of western Canada. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada. During the second quarter, soft ground conditions

typically curtail oilfield activity in all of the Company's Canadian operating areas such that many rigs are unable to move about due to road bans. This period, commonly referred to as "spring break-up", occurs earlier in the year in southeastern Alberta than it does in northern Alberta and northeastern British Columbia. Consequently, this is the Company's weakest three-month revenue period. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Company may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for fracturing and well stimulation services may also be affected by severe winter weather in North America and Russia. In addition, during excessively rainy periods in any of the Company's operating areas, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature adds a further element of unpredictability to activity and utilization rates, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Concentration of Customer Base

The Company's customer base consists of more than 220 oil and natural gas exploration and production companies, ranging from large multinational public companies to small private companies. Notwithstanding the Company's broad customer base, Calfrac has ten significant customers that collectively accounted for approximately 55 percent of the Company's revenue for the year ended December 31, 2010 and, of such customers, four customers accounted for approximately 30 percent of the Company's revenue for the year ended December 31, 2010. Some of this business is anchored by long-term contracts, providing stability to a portion of the associated revenues. However, there can be no assurance that the Company's relationship with these ten customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Competition

Each of the markets in which Calfrac participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which the Company operates are product and service quality and availability, technical knowledge and experience, reputation for safety and price. Calfrac competes with large national and multinational oilfield service companies that have greater financial and other resources than it has. These companies offer a wide range of well stimulation services in all regions in which Calfrac operates. In addition, Calfrac competes with several regional competitors. As a result of competition, it may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

Equipment Levels

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. This capital overbuild could cause the Company's competitors to lower their pricing and could lead to a decrease in rates in the oilfield services industry generally, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Volatility in Credit Markets

The ability to make scheduled payments on or to refinance debt obligations depends on the Company's financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond the Company's control. Continuing volatility in the credit markets may increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the Company's ability, or the ability of third parties Calfrac seeks to do business with, to access those markets.

In addition, access to further financing for the Company or its customers remains uncertain. This condition could have an adverse effect on the industry in which Calfrac operates and on the Company's business, including future operating results. The Company's customers may curtail their drilling and completion programs, which could result in a decrease in demand for the Company's services and could increase downward pricing pressures. In addition, certain customers could become unable to pay suppliers, including Calfrac, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Government Regulations

The Company's operations are subject to a variety of federal, provincial, state and local laws, regulations and guidelines, in all jurisdictions in which it operates, including laws and regulations relating to health and safety, the conduct of operations, taxation, the protection of the environment and the manufacture, management, transportation and disposal of certain materials used in its operations. The Company has invested financial and managerial resources to ensure compliance with such regulations and expects to continue to make appropriate investments in the future. These laws or regulations are subject to change and could result in material expenditures that could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. It is impossible for the Company to predict the cost or impact of such laws and regulations on its future operations.

Environment Laws and Regulations

The Company is subject to increasingly stringent federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous materials, radioactive materials and explosives, and the protection of the environment, including laws and regulations governing air emissions, water discharges and waste management. The Company incurs, and expects to continue to incur, capital and operating costs to comply with environmental laws and regulations. Unintentional violation of these laws and regulations could lead to substantial fines and penalties. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and costly to implement.

The Company uses and generates hazardous substances and wastes in its operations. Because the Company provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. In addition, some of the Company's current properties are, or have been, used for industrial purposes. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, the Company could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and

regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Company to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Federal, State and Provincial Legislative and Regulatory Initiatives

The Company is a provider of hydraulic fracturing services, a process involving the injection of fluids, primarily consisting of water but typically including small amounts of chemical additives, as well as proppant in order to create fractures extending from the well bore through the rock formation to enable natural gas or oil to move more easily through the reservoir to the production casing. The United States Congress and Environmental Protection Agency have recently begun investigations regarding the chemicals used in the hydraulic fracturing process and the potential impacts on human health and the environment. In February 2010, Congress contacted eight oil and natural gas service companies, including the Company, to seek more information regarding the chemicals used in their fluids and additives. Bills have recently been introduced in Congress asserting that chemicals used in the fracturing process could adversely affect drinking water supplies. The proposed legislation would repeal the exemption for hydraulic fracturing under the Safe Drinking Water Act. These or similar bills, if enacted, could result in additional permitting requirements and other restrictions for hydraulic fracturing operations, which could result in delays in operations at well sites and increase costs to make wells productive. Moreover, the bills may require the reporting and public disclosure of chemicals used in the fracturing process to federal or state regulatory authorities, which would then make such competitive information publicly available. Such disclosure could increase any publicly perceived risk to drinking water wells in the vicinity of an oil or natural gas well or other alleged environmental problems. If adopted, this legislation would likely establish an additional level of regulation at the federal level that could lead to operational delays and increased operating costs.

In addition, some states and local governments, including Arkansas, Colorado, Wyoming, New York and Pennsylvania, have undertaken similar investigations and considered imposing various conditions and restrictions on hydraulic fracturing operations. State legislative and regulatory proposals could include requirements regarding chemical disclosure of hydraulic fracturing fluids (similar to the regimes recently adopted in Arkansas and Wyoming), casing and cementing of wells, withdrawal of water for use in high-volume hydraulic fracturing of horizontal wells, baseline testing of nearby water wells and restrictions on which additives may be used, as well as temporary or permanent bans on hydraulic fracturing in certain environmentally sensitive areas such as watersheds. If these types of conditions are adopted, the Company could be subject to increased costs and, possibly, limits on its ability to deploy its technology at or in the vicinity of sensitive areas. Hydraulic fracturing has also generated publicity in Canada regarding the potential environmental impact. The adoption of any future U.S. federal, state or local, or Canadian federal or provincial laws or implementing regulations imposing additional permitting, disclosure or regulatory obligations related to, or otherwise limiting, the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells and could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The operations of the Company's customers are also subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations may cause customers to discontinue or limit their operations and may discourage companies from continuing development activities. As a result, demand for the Company's services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Changes in environmental requirements may reduce demand for the Company's services. For example, oil and natural gas exploration and production could become less cost effective and decline as a result of increasingly stringent environmental requirements (including land use policies responsive to environmental concerns and delays or difficulties in obtaining environmental permits). A decline in exploration and production, in turn, could materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

Sources, Pricing and Availability of Raw Materials, Components and Parts

Calfrac sources its raw materials, such as proppant, chemicals, nitrogen, carbon dioxide and diesel fuel, and its components and parts, such as coiled tubing, from a variety of suppliers in North America, Russia and Argentina. Should the Company's current suppliers be unable to provide the necessary raw materials and components at a price acceptable to the Company or otherwise fail to deliver products in the quantities required, any resulting cost increases or delays in the provision of services could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Income Tax Attributes

The Company has reduced its Canadian income tax liabilities from March 2004 through the end of 2010 by using tax attributes estimated at $220.0 million for federal income tax purposes and $170.0 million for provincial income tax purposes arising from the reorganization of Denison. The Canada Revenue Agency has not audited any of the tax returns in which the above-mentioned tax attributes were used to reduce the incurrence of Canadian current and future income tax liabilities, but may in the future. In February 2011, the Company received a request letter from the Canada Revenue Agency seeking certain information related to the Denison transaction.

Operational Risks

The Company's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose Calfrac to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. Calfrac continuously monitors its activities for quality control and safety, and although it maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover the Company's liabilities and may not be available in the future at rates that Calfrac considers reasonable and commercially justifiable.

Fluctuations in Foreign Exchange Rates

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the results of the Company's foreign operations are directly affected by fluctuations in the United States, Russian, Mexican and Argentinean currency exchange rates. For example, financial results from the Company's United States operations are denominated in United States dollars, so that a decrease in the value of the United States dollar would decrease the Canadian dollar amount of such financial results from United States operations. Other than natural hedges arising from the normal course of business in foreign jurisdictions, Calfrac does not currently have any hedging positions.

Liabilities of Prior Operations

From time to time, there may be legal proceedings underway, pending or threatened against Calfrac relating to the business of Denison prior to its reorganization and subsequent acquisition of Calfrac. In March 2004, the Canadian petroleum and natural gas assets and the mining leases, mining environmental services and related assets and liabilities of Denison were transferred to two new corporations that provided indemnities to Denison for all claims or losses relating to Denison's prior business, except for matters related to specific liabilities retained by Denison. Despite these indemnities, it is possible that Calfrac may be found responsible for claims or losses relating to the assets and liabilities transferred by Denison and that claims or losses may not be within the scope of either of the indemnities or may not be recoverable by the Company. Because of the nature of Denison's former operations (oil and natural gas exploration and production, mining and environmental services), these claims and losses could include substantial environmental claims. Calfrac cannot predict the outcome or ultimate impact of any legal or regulatory proceedings pending against Denison or affecting the Company's business or any legal or regulatory proceedings that may relate to Denison's prior ownership or operation of assets.

Greek Legal Proceedings

As a result of the acquisition and amalgamation with Denison in 2004, the Company assumed certain legal obligations related to Denison's Greek operations. In 1998, North Aegean Petroleum Company E.P.E. (NAPC), a Greek subsidiary of a consortium in which Denison participated (and which is now a majority-owned subsidiary of the Company), terminated employees in Greece as a result of the cessation of its oil and natural gas operations in that country. Several groups of employees have filed claims alleging that their termination was invalid and that their severance pay was improperly determined. In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that compensation was due to the employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered on June 25, 2010. NAPC and Calfrac are assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted. Counsel to NAPC has obtained a judicial order entitling NAPC to obtain certain employment information in respect of the plaintiffs which is required in order to assess the extent to which the plaintiffs have mitigated any damages which may otherwise be payable.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff seeking damages was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal and rejected the additional claim of the plaintiff. Another one of the lawsuits seeking salaries in arrears was heard by the Supreme Court of Greece on November 6, 2007 and on September 21, 2010, and on both occasions, the appeal of the plaintiffs was denied for

technical reasons due to improper service. The remaining action, which is seeking salaries in arrears, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but was adjourned until November 18, 2011 as a result of the Greek elections.

The direction and financial consequence of the potential decisions in these actions cannot be determined at this time. If these actions were to be determined in a manner adverse to the Company, it could have a material adverse effect on its business, financial condition and results of operations.

Management Stewardship

The successful operation of the Company's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of the Company's executive officers, employees and consultants. In addition, the Company's ability to expand its services depends upon its ability to attract qualified personnel as needed. The demand for skilled oilfield employees is high, and the supply is limited. If Calfrac lost the services of one or more of its executive officers or key employees, it may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Capital-Intensive Industry

The Company's business plan is subject to the availability of additional financing for future costs of operations or expansion that may not be available, or may not be available on favourable terms. The Company's activities are financed partially or wholly with debt, which could under certain circumstances increase its debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. If the Company's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on favourable terms.

Management Ownership Concentration

Collectively, the Company's management owns or controls common shares representing approximately 28 percent of the total voting power of its common shares. As a result, the Company's management may have the ability to direct the election of members of its Board of Directors and to exercise a controlling influence over its business and affairs, including any determinations with respect to mergers or other business combinations involving the Company, its acquisition or disposition of assets, its incurrence of indebtedness, its issuance of any additional common shares or other equity securities, its repurchase or redemption of common shares or preferred shares and its payment of dividends. Additionally, the Company's management may have the power to determine or significantly influence the outcome of matters submitted to a vote of its shareholders, including the power to prevent an acquisition or any other change in control of Calfrac. In any particular transaction, the interests of the Company's management as shareholders may differ from the interests of other shareholders and the interests of holders of the senior notes, and actions taken by the Company's management as shareholders with respect to the Company may not be favourable to the other shareholders and creditors.

Foreign Operations

Some of the Company's operations and related assets are located in countries outside of Canada and the United States, some of which may be considered to be politically or economically unstable. Activities in such countries may require protracted negotiations with host governments, national oil companies and third parties and are frequently subject to economic and political considerations, such as taxation, nationalization, expropriation, inflation, currency fluctuations,

increased regulation and approval requirements, governmental regulation and the risk of actions by terrorist, criminal or insurgent groups, any of which could adversely affect the economics of exploration or development projects and the demand for the Company's well stimulation services, any of which may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Climate Change Initiatives

Canada is a signatory to the United Nations Framework Convention on Climate Change and has adopted the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases" (GHG). Details regarding Canada's implementation of the Kyoto Protocol remain unclear.

In December 2009, government leaders and representatives from approximately 170 countries met in Copenhagen, Denmark (the "Copenhagen Conference") to negotiate a successor to the Kyoto Protocol, which expires in 2012. The primary result of the Copenhagen Conference was the Copenhagen Accord, which represents a broad political consensus rather than a binding international treaty like the Kyoto Protocol. The Copenhagen Accord reinforces Kyoto Protocal commitments to reducing GHG emissions. Although Canada has committed under the Copenhagen Accord to reducing its GHG emissions by 17 percent from 2005 levels by 2020, the Copenhagen Accord does not establish binding GHG emissions reduction targets. The Copenhagen Accord calls for a review of implementation of its stated goals before 2016.

The Canadian federal government previously released the Regulatory Framework for Air Emissions, updated March 10, 2008 by Turning the Corner: Regulatory Framework for Industrial Greenhouse Emissions (collectively, the "Regulatory Framework") for regulating GHG emissions and in doing so proposed mandatory emissions intensity reduction obligations on a sector by sector basis. Regulations to implement the Regulatory Framework had been expected, but the federal government has delayed the release of any such regulations and potential federal requirements in respect of GHG emissions are unclear. On January 30, 2010, the Canadian federal government announced its new target to reduce overall Canadian GHG emissions by 17 percent below 2005 levels by 2020, from a previous target of 20 percent from 2006 levels by 2020, in order to align itself with U.S. policy. In 2009, the Canadian federal government announced its commitment to work with the provincial governments to implement a North America-wide cap and trade system for GHG emissions, in cooperation with the United States. Under the system, Canada would have its own cap-and-trade market for Canadian-specific industrial sectors that could be integrated into a North American market for carbon permits. It is uncertain whether either federal GHG regulations or an integrated North American cap-and-trade system will be implemented, or what obligations might be imposed under any such systems.

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with provincial emission reduction requirements, such as those in effect under Alberta's Climate Change and Emissions Management Act and potential further provincial requirements, may require the reduction of emissions or emissions intensity from the Company's operations and facilities. Mandatory emissions reductions might result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Company's services. The mandatory emissions reductions might also impair the Company's ability to provide its services economically. The Company is unable to predict the impact of current and pending emission reduction legislation on the Company and it is possible that such impact may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Adoption of IFRS

Effective January 1, 2011, the Company is required to adopt IFRS, which may result in materially different reported financial results. As of the date of this MD&A, the Company is unable to quantify the impact IFRS will have on the 2010 financial statements. See "Adoption of International Financial Reporting Standards" on page 42.

Demand for Oil and Natural Gas

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on its business, financial condition, results of operations and cash flows.

SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(000s, except per share and operating data) (unaudited)	($)	($)	($)	($)	($)
2010					
Financial					
Revenue	227,123	164,849	275,245	268,710	935,927
Operating income [1]	38,908	14,907	69,366	62,261	185,442
EBITDA [1]	40,867	11,976	70,582	66,741	190,166
Per share – basic	0.95	0.28	1.64	1.54	4.41
Per share – diluted	0.94	0.28	1.62	1.51	4.35
Net income (loss)	13,636	(10,457)	31,194	19,434	53,807
Per share – basic	0.32	(0.24)	0.72	0.45	1.25
Per share – diluted	0.31	(0.24)	0.72	0.44	1.23
Funds provided by operations [1]	36,512	6,159	66,016	52,576	161,263
Per share – basic	0.85	0.14	1.53	1.22	3.74
Per share – diluted	0.84	0.14	1.52	1.19	3.69
Capital expenditures	14,938	26,825	30,099	47,079	118,941
Working capital (end of period)	157,688	139,581	177,716	342,783	342,783
Shareholders' equity (end of period)	474,718	466,746	497,911	517,543	517,543
Operating (end of period)					
Pumping horsepower (000s)	465	472	481	481	
Coiled tubing units (#)	28	28	28	29	
Cementing units (#)	21	21	21	21	

(1) Refer to "Non-GAAP Measures" on page 27 for further information.

Quarters Ended	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Total
(000s, except per share and operating data) (unaudited)	($)	($)	($)	($)	($)
2009					
Financial					
Revenue	180,388	104,727	133,261	173,124	591,500
Operating income [(1)]	27,427	4,052	16,499	23,157	71,135
EBITDA [(1)]	25,945	4,340	15,112	23,398	68,795
Per share – basic	0.69	0.11	0.40	0.58	1.79
Per share – diluted	0.69	0.11	0.40	0.57	1.79
Net income (loss)	5,528	(14,770)	2,842	864	(5,536)
Per share – basic	0.15	(0.39)	0.08	0.02	(0.14)
Per share – diluted	0.15	(0.39)	0.08	0.02	(0.14)
Funds provided by operations [(1)]	22,713	128	12,199	19,580	54,620
Per share – basic	0.60	–	0.32	0.48	1.42
Per share – diluted	0.60	–	0.32	0.48	1.42
Capital expenditures	15,857	9,862	58,212	18,245	102,176
Working capital (end of period)	129,532	111,864	103,331	128,243	128,243
Shareholders' equity (end of period)	402,537	380,515	378,972	459,932	459,932
Operating (end of period)					
Pumping horsepower (000s)	303	319	371	456	
Coiled tubing units (#)	18	18	18	28	
Cementing units (#)	20	20	21	21	

(1) Refer to "Non-GAAP Measures" on page 27 for further information.

Seasonality of Operations

The Company's Canadian business is seasonal in nature. The lowest activity levels are typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada is reduced (refer to "Business Risks – Seasonality" on page 44).

Foreign Exchange Fluctuations

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the United States, Russian, Mexican and Argentinean currency exchange rates (refer to "Business Risks – Fluctuations in Foreign Exchange Rates" on page 48).

Early Redemption of Senior Notes

The Company closed a private offering of US$450.0 million of 7.50 percent senior notes in November 2010, which will mature on December 1, 2020. The Company used a portion of the net proceeds to repay its outstanding indebtedness, including to fund the tender offer for its 7.75 percent senior notes due in 2015 and its outstanding credit facilities. As a result of the redemption of US$230.7 million of the senior notes due in 2015, the Company incurred $22.7 million of refinancing costs during the fourth quarter of 2010.

FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2010 VERSUS 2009

Canada

Three Months Ended December 31,	**2010**	2009	Change
(000s, except operational information) (unaudited)	**($)**	($)	(%)
Revenue	**160,967**	84,754	90
Expenses			
Operating	**102,440**	63,344	62
SG&A	**4,024**	2,653	52
	106,464	65,997	61
Operating income [(1)]	**54,503**	18,757	191
Operating income (%)	**33.9%**	22.1%	53
Fracturing revenue per job ($)	**131,653**	91,134	44
Number of fracturing jobs	**1,104**	868	27
Coiled tubing revenue per job ($)	**22,128**	23,442	(6)
Number of coiled tubing jobs	**706**	241	193

(1) Refer to "Non-GAAP Measures" on page 27 for further information.

Revenue

Revenue from Calfrac's Canadian operations during the fourth quarter of 2010 was $161.0 million versus $84.8 million in the comparable three-month period of 2009. The 90 percent increase in revenue was primarily due to improved pricing and the completion of more and larger jobs in the unconventional natural gas resource plays of northern Alberta and northeast British Columbia, combined with an increase in oil-related fracturing in the resource plays of Saskatchewan and west central Alberta. In addition, higher coiled tubing activity levels in western Canada and larger job sizes also contributed to the increase in revenue during the fourth quarter. This increase was partially driven by incremental revenue following the acquisition of Century in mid-November 2009, which added 70,000 horsepower and 10 coiled tubing units to the Canadian equipment fleet. In Canada, a total of 4,070 wells were drilled during the fourth quarter of 2010 compared to 2,671 wells in the comparable period of 2009.

Operating Expenses

Operating expenses in Canada increased by 62 percent to $102.4 million during the fourth quarter of 2010 from $63.3 million in the same period of 2009. The increase in Canadian operating expenses was mainly due to higher overall fracturing and coiled tubing activity levels in the unconventional oil and natural gas resource plays of western Canada, a larger Canadian equipment fleet, increased 24-hour operations and higher annual bonus expenses.

SG&A Expenses

SG&A expenses for Calfrac's Canadian operations during the fourth quarter of 2010 increased from the corresponding period in 2009 by 52 percent to $4.0 million, primarily due to a significant increase in revenue base and personnel costs following the acquisition of Century in November 2009 and higher annual bonus expenses.

United States

Three Months Ended December 31,	2010	2009	Change
(000s, except operational and exchange rate information) (unaudited)	**($)**	($)	(%)
Revenue	**84,190**	54,256	55
Expenses			
Operating	**59,913**	48,760	23
SG&A	**3,202**	2,091	53
	63,115	50,851	24
Operating income [(1)]	**21,075**	3,405	519
Operating income (%)	**25.0%**	6.3%	297
Fracturing revenue per job ($)	**66,751**	59,263	13
Number of fracturing jobs	**1,204**	867	39
Cementing revenue per job ($)	**22,221**	21,458	4
Number of cementing jobs	**172**	134	28
Cdn$/US$ average exchange rate [(2)]	**1.0128**	1.0563	(4)

(1) Refer to "Non-GAAP Measures" on page 27 for further information.
(2) Source: Bank of Canada.

Revenue

Revenue from Calfrac's United States operations increased during the fourth quarter of 2010 to $84.2 million from $54.3 million in the comparable quarter of 2009. The increase was due primarily to higher fracturing activity levels in the Fayetteville shale play in Arkansas and the Marcellus shale formation in Pennsylvania and West Virginia, combined with the commencement of fracturing operations in the Bakken play of North Dakota. The revenue increase was also a result of improved pricing and higher cementing activity in Arkansas. It was partially offset by lower fracturing activity levels in the Rocky Mountain region of Colorado and a 4 percent decline in the United States dollar against the Canadian dollar.

Operating Expenses

Operating expenses in the United States were $59.9 million for the fourth quarter of 2010, an increase of 23 percent from the comparative period in 2009. The increase in operating expenses was primarily due to a significantly higher revenue base resulting from higher fracturing activity in Arkansas and the Marcellus shale play of Pennsylvania and West Virginia combined with the start-up expenses related to the commencement of fracturing operations in the Bakken play of North Dakota during the fourth quarter of 2010, and higher annual bonus expenses. These factors were offset partially by the impact of the depreciation of the United States dollar versus the Canadian dollar.

SG&A Expenses

SG&A expenses in the United States during the fourth quarter of 2010 increased by 53 percent from the comparable period in 2009 to $3.2 million. This increase was primarily due to higher personnel expenses related to the Company's larger revenue base resulting from the expansion of operations in the Marcellus shale play, commencement of fracturing operations in the Bakken play during the fourth quarter of 2010 and higher annual bonus expenses. These factors were offset partially by the impact of the decline in the value of the United States dollar versus the Canadian dollar.

Russia

Three Months Ended December 31,	2010	2009	Change
(000s, except operational and exchange rate information)	($)	($)	(%)
(unaudited)			
Revenue	**19,095**	14,698	30
Expenses			
Operating	**16,232**	10,667	52
SG&A	**1,410**	984	43
	17,642	11,651	51
Operating income [1]	**1,453**	3,047	(52)
Operating income (%)	**7.6%**	20.7%	(63)
Fracturing revenue per job ($)	**81,272**	74,379	9
Number of fracturing jobs	**153**	120	28
Coiled tubing revenue per job ($)	**44,697**	52,959	(16)
Number of coiled tubing jobs	**149**	109	37
Cdn$/rouble average exchange rate [2]	**0.0330**	0.0358	(8)

[1] Refer to "Non-GAAP Measures" on page 27 for further information.
[2] Source: Bank of Canada.

Revenue

During the fourth quarter of 2010, the Company's revenue from Russian operations increased by 30 percent to $19.1 million from $14.7 million in the corresponding three-month period of 2009. The increase in revenue was mainly due to higher fracturing and coiled tubing activity levels in Western Siberia as well as larger fracturing job sizes. The increase in revenue was offset partially by the completion of smaller coiled tubing jobs combined with the depreciation of the Russian rouble by 8 percent versus the Canadian dollar.

Operating Expenses

Operating expenses in Russia in the fourth quarter of 2010 were $16.2 million compared to $10.7 million in the corresponding period of 2009. The increase in operating expenses was primarily due to job mix, the provision of proppant and additional services for a new customer in Western Siberia and higher fuel prices, offset partially by the depreciation in the Russian rouble against the Canadian dollar.

SG&A Expenses

SG&A expenses in Russia were $1.4 million for the three-month period ended December 31, 2010 versus $1.0 million in the same quarter of 2009. The increase in SG&A expenses was primarily due to additional personnel supporting the Company's broader scope of operations in Western Siberia, offset partially by the depreciation of the Russian rouble versus the Canadian dollar.

Latin America

Three Months Ended December 31,	2010	2009	Change
(000s, except operational and exchange rate information) (unaudited)	($)	($)	(%)
Revenue	**4,458**	19,416	(77)
Expenses			
Operating	**7,535**	16,389	(54)
SG&A	**909**	430	111
	8,444	16,819	(50)
Operating income (loss) [(1)]	**(3,986)**	2,597	(253)
Operating income (loss) (%)	**-89.4%**	13.4%	(767)
Cdn$/Mexican peso average exchange rate [(2)]	**0.0817**	0.0809	1
Cdn$/Argentine peso average exchange rate [(2)]	**0.2505**	0.2765	(9)

(1) Refer to "Non-GAAP Measures" on page 27 for further information.
(2) Source: Bank of Canada.

Revenue

Calfrac's Latin America operations generated total revenue of $4.5 million during the fourth quarter of 2010 versus $19.4 million in the comparable three-month period in 2009. The decrease in revenue was primarily due to significantly lower Mexican fracturing and cementing activity resulting from Pemex budget constraints combined with the completion of smaller cementing jobs in Latin America. Revenue for the three months ended December 31, 2010 also decreased due to a $2.9 million non-recurring revenue adjustment resulting from a comprehensive review of work performed and associated charges.

Operating Expenses

Operating expenses in Latin America for the three months ended December 31, 2010 decreased by 54 percent from the comparable period in 2009 to $7.5 million. The decrease was primarily due to the impact of lower fracturing and cementing activity levels in Mexico, and a $0.9 million adjustment to reverse over-accrued subcontractor costs associated with the review of charges noted above.

SG&A Expenses

SG&A expenses in Latin America increased to $0.9 million from $0.4 million in the comparable quarter of 2009 primarily due to a larger scope of operations.

Corporate

Three Months Ended December 31,	**2010**	2009	Change
(000s)	**($)**	($)	(%)
(unaudited)			
Expenses			
Operating	**1,371**	520	164
SG&A	**9,413**	4,129	128
	10,784	4,649	132
Operating loss [1]	**(10,784)**	(4,649)	(132)

[1] Refer to "Non-GAAP Measures" on page 27 for further information.

Operating Expenses

Operating expenses primarily relate to global operations and R&D personnel located in the Corporate headquarters who directly support the Company's global field operations. The 164 percent increase in Corporate operating expenses from the fourth quarter of 2009 is mainly due to higher compensation expenses as a result of an increase in the number of personnel supporting the growth in the Company's operations, higher annual bonus expenses and the reinstatement of wages that were rolled back in 2009.

SG&A Expenses

For the three months ended December 31, 2010, Corporate SG&A expenses increased by 128 percent from the comparable 2009 period to $9.4 million, mainly due to higher stock-based compensation expenses, including approximately $1.2 million related to the estimated fair value of a benefit associated with a loan to a senior officer, and higher annual bonuses. In addition, the reversal of wage rollbacks and costs arising from additional corporate personnel supporting the Company's broader scale of operations and higher professional fees, some of which were related to the transition to IFRS, contributed to the increase in corporate SG&A expenses.

Depreciation

For the three months ended December 31, 2010, depreciation expense increased by 17 percent to $20.6 million from $17.6 million in the corresponding quarter of 2009. The increase was mainly a result of a larger fleet of equipment operating in North America from the Company's 2009 and 2010 capital programs and the 2009 acquisition of Century in November 2009. This increase was offset partially by the depreciation of the United States dollar versus the Canadian dollar.

Interest, Net

The Company's net interest expense of $30.2 million for the fourth quarter of 2010 represented an increase of $25.9 million from $4.3 million in the comparable period of 2009. This increase was primarily due to incurring $22.7 million of refinancing costs related to the early redemption of US$230.7 million of the unsecured senior notes originally due in February 2015. These factors were offset partially by the impact of the depreciation of the United States dollar versus the Canadian dollar.

Foreign Exchange Losses or Gains

The Company realized a foreign exchange gain of $4.4 million during the fourth quarter of 2010 versus $0.1 million in the comparative three-month period of 2009. Foreign exchange gains and losses arise primarily from the impact of foreign exchange fluctuations on the parent company's net monetary assets and liabilities as well as the translation of Calfrac's international operations in Russia, Mexico and Argentina using the temporal method. The foreign exchange gain recorded in the fourth quarter of 2010 was primarily related to the translation of a U.S. dollar-denominated inter-company loan from a subsidiary in the United States to the parent company. As the U.S. subsidiary is translated using the current rate method, the associated foreign exchange loss is recorded in the Consolidated Statements of Other Comprehensive Income (Loss).

Income Tax Expenses

The Company recorded an income tax recovery of $3.5 million during the fourth quarter of 2010 compared to income tax expense of $0.6 million in the comparable period of 2009. The effective income tax rate for the three months ended December 31, 2010 was negative 22 percent compared to 41 percent in the same quarter of 2009. The decrease in the effective tax rate, although partially offset by significantly higher profitability in Canada, was primarily due to lower profitability in Latin America and Russia combined with substantial refinancing costs related to the redemption of US$230.7 million of unsecured notes resulting in a net recovery of current income tax. The utilization of a capital loss carryforward, the benefit of which was not previously recorded, also contributed to the decrease in the effective tax rate for the quarter.

OUTLOOK

In Canada and the United States, exploration and development activity in the unconventional natural gas and oil plays continues to be focused on the use of horizontal wells incorporating multi-stage fracturing. As a result of this trend, strong levels of equipment utilization are expected during 2011. Strong natural gas liquids and crude oil prices are also anticipated to drive incremental completions activity in liquids-rich natural gas and oil formations throughout North America. Calfrac expects the industry trend towards multi-well pads and 24-hour operations to increase as customers remain committed to improving the economics of these plays.

The Company's optimistic outlook for the Canadian market is supported by the Petroleum Services Association of Canada's encouraging drilling forecast of 12,750 wells to be drilled across Canada in 2011, of which an increasing proportion are projected to be horizontal wells. Fracturing and coiled tubing activity in the Montney and Deep Basin plays of northwest Alberta and northeast British Columbia is expected to remain strong as these regions are amongst the most economic natural gas plays in western Canada. Deep Basin activity is expected to be particularly robust due to the high liquids content in certain zones of this play as well as to the very strong recent successes a number of producers have experienced in developing several Deep Basin horizons with horizontal wells. Activity in unconventional light oil plays, such as the Cardium, Viking, Slave Point and Bakken, is expected to be strong as the price of crude oil remains at attractive levels. There are also several other emerging oil and liquids-rich plays which may provide further growth opportunities in 2011 and beyond. The Company expects that at least 70 percent of its operations in 2011 will be focused on oil and liquids-rich natural gas formations, which will provide greater commodity-based diversification to Calfrac's Canadian operations As a result, the Company expects high levels of equipment utilization in Canada and strong financial performance during 2011.

In the United States, demand for pressure pumping services remains strong. Supported by two long-term minimum commitment contracts with significant oil and natural gas companies, the Company has deployed a newly constructed large fracturing spread to the Marcellus shale gas play and will be deploying another spread and crew during the first half of 2011. By mid-2011, Calfrac anticipates that three large fracturing spreads, with a total of approximately 140,000 hydraulic horsepower, will be servicing the Marcellus shale play. A new facility in Pennsylvania is currently under construction and is expected to be available in late 2011.

The Company recently commenced fracturing operations in the Bakken oil shale play of North Dakota with one large fracturing spread and expects to deploy at least one more fracturing spread into this region during 2011 based on strong demand for Calfrac's services. The Company is encouraged about this play's prospects and the commodity diversification it will bring to its United States operations. High customer demand in the Fayetteville shale play of Arkansas is expected to provide strong levels of fracturing and cementing activity throughout 2011 as this region continues to be one of the most economic basins in North America. Fracturing activity levels in the Rocky Mountain region of Colorado are expected to remain relatively high for the remainder of 2011 with the development of the Niobrara oil shale play in northern Colorado providing a significant growth opportunity in this market. As a result, strong financial performance is expected from the United States segment in 2011.

Calfrac has recently culminated the tender process related to its operations in Russia. This resulted in the award of a mix of annual and multi-year agreements, which is expected to equate into full utilization of the Company's operating fleet. The Company currently has five fracturing spreads and six coiled tubing units operating in this oil-focused market and plans to deploy a seventh coiled tubing unit by the end of the second quarter of 2011. Calfrac is optimistic that the financial performance of this segment will trend higher in 2011.

Activity levels in Mexico during the early part of 2011 have improved from the low levels experienced in the latter half of 2010 due to the easing of Pemex's budget constraints. Calfrac is cautiously optimistic that activity in the Chicontepec play will continue to recover as the year progresses. The Company continues to believe in the long-term potential of this region and will continue to focus on providing new technologies to this market in an effort to improve the efficiencies of this play.

The Company commenced coiled tubing operations in Argentina during the fourth quarter of 2010. This new service line augments its existing cementing and acidizing operations, which are anticipated to be active throughout 2011. Calfrac is also planning to enter the Colombian pressure pumping market with the commencement of cementing operations during 2011. As Colombian activity is predominately focused on oil, it provides further commodity and geographical diversification to the Company and another platform for future growth in Latin America.

In December 2010, Calfrac announced a $280.0 million capital program for 2011 that is focused on bolstering the Company's fracturing, coiled tubing and cementing capacity, as well as its infrastructure and logistical capabilities as it continues to expand its presence in the evolving North American unconventional oil and natural gas markets. Additional equipment is also being constructed to support Calfrac's growing Russian and Latin America operations, including the anticipated entry into the Colombian pressure pumping market. Most of this equipment is expected to become operational in the latter part of 2011.

Calfrac's Board of Directors also recently approved a 50 percent increase to the Company's semi-annual cash dividend from $0.05 to $0.075 per share, beginning with the dividend paid on January 15, 2011, thereby increasing the total annual dividend to $0.15 per share in 2011.

ADVISORIES

Forward-Looking Statements

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this MD&A, including statements that contain words such as "anticipates", "can", "may", "could", "expect", "believe", "intend", "forecast", "will", or similar words suggesting future outcomes, are forward-looking statements. Forward-looking statements in this document include, but are not limited to, statements with respect to future capital expenditures, future financial resources, future oil and natural gas well activity, future costs or potential liabilities, outcome of specific events, trends in the oil and natural gas industry and the Company's growth prospects including, without limitation, its international growth strategy and prospects. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including assumptions related to commodity pricing and North American drilling activity. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. The most significant risk factors to Calfrac relate to prevailing economic conditions; the demand for fracturing and other stimulation services during drilling and completion of oil and natural gas wells; commodity prices; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; changes in legislation and the regulatory environment; sourcing, pricing and availability of raw materials, components, parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; and regional competition. Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Further information about these risks and uncertainties may be found under "Business Risks" above.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

Additional Information

Further information regarding Calfrac Well Services Ltd., including the most recently filed Annual Information Form, can be accessed on the Company's website at www.calfrac.com or under the Company's public filings found at www.sedar.com.

MANAGEMENT'S LETTER

To the Shareholders of Calfrac Well Services Ltd.

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies set out in the accompanying notes to the consolidated financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles (GAAP) appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared the Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with Canadian GAAP. The MD&A compares the audited financial results for the years ended December 31, 2010 and December 31, 2009.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, was engaged, as approved by a vote of shareholders at the Company's most recent annual meeting, to audit the consolidated financial statements in accordance with Canadian GAAP and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of four independent directors who are not employees of the Company, has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

D.R. Ramsay

Douglas R. Ramsay
Chief Executive Officer

Laura A. Cillis
Senior Vice President, Finance and
Chief Financial Officer

February 25, 2011
Calgary, Alberta

AUDITOR'S REPORT

To the Shareholders of Calfrac Well Services Ltd.

We have audited the accompanying consolidated financial statements of Calfrac Well Services Ltd. ("Calfrac") and its subsidiaries, which comprise the consolidated balance sheets as at December 31,2010 and 2009 and the consolidated statements of operations and retained earnings, comprehensive income (loss) and accumulated other comprehensive income (loss) and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Calfrac Well Services Ltd. as at December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

February 25, 2011
Calgary, Alberta

CONSOLIDATED BALANCE SHEETS

As at December 31,	2010	2009
(000s)	**($)**	($)
ASSETS		
Current assets		
Cash and cash equivalents (note 2 (e))	**216,604**	25,070
Accounts receivable	**177,652**	135,775
Income taxes recoverable	**3,284**	1,780
Inventory	**59,321**	44,297
Prepaid expenses and deposits	**8,385**	6,746
	465,246	213,668
Capital assets (note 3)	**603,145**	579,233
Goodwill (note 14)	**12,547**	10,523
Future income taxes (note 9)	**34,598**	37,466
	1,115,536	840,890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**116,315**	82,212
Current portion of long-term debt (note 4)	**4,854**	1,996
Current portion of capital lease obligations (note 5)	**1,294**	1,217
	122,463	85,425
Long-term debt (note 4)	**443,346**	267,351
Capital lease obligations (note 5)	**2,515**	3,808
Other long-term liabilities	**1,062**	1,227
Future income taxes (note 9)	**28,506**	20,474
Deferred credit (note 10)	**–**	2,505
Non-controlling interest (note 11)	**101**	168
	597,993	380,958
Shareholders' equity		
Capital stock (note 6)	**263,490**	251,282
Contributed surplus (note 7)	**15,225**	10,808
Loan receivable for purchase of common shares (note 17)	**(2,500)**	–
Retained earnings	**250,476**	202,083
Accumulated other comprehensive income (loss) (note 2 (c))	**(9,148)**	(4,241)
	517,543	459,932
	1,115,536	840,890

Commitments (note 12)
Contingencies (note 18)
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors,

Ronald P. Mathison
Director

Gregory S. Fletcher
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years Ended December 31,	2010	2009
(000s, except per share data)	($)	($)
Revenue	**935,927**	591,500
Expenses		
Operating	**690,882**	482,682
Selling, general and administrative	**59,603**	37,683
Depreciation	**79,794**	63,188
Interest, net	**48,785**	15,248
Foreign exchange (gains) losses	**(3,794)**	3,823
Gain on disposal of capital assets	**(930)**	(1,483)
	874,340	601,141
Income (loss) before income taxes and non-controlling interest	**61,587**	(9,641)
Income tax expense (recovery) (note 9)		
Current	**(1,901)**	1,853
Future	**9,748**	(6,082)
	7,847	(4,229)
Income (loss) before non-controlling interest	**53,740**	(5,412)
Non-controlling interest	**(67)**	124
Net income (loss) for the year	**53,807**	(5,536)
Retained earnings, beginning of year	**202,083**	211,652
Dividends	**(5,414)**	(4,033)
Retained earnings, end of year	**250,476**	202,083
Earnings (loss) per share (note 6)		
Basic	**1.25**	(0.14)
Diluted	**1.23**	(0.14)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Years Ended December 31,	**2010**	2009
(000s)	**($)**	($)
Net income (loss) for the year	**53,807**	(5,536)
Other comprehensive loss		
Change in foreign currency translation adjustment	**(4,907)**	(9,955)
Comprehensive income (loss)	**48,900**	(15,491)
Accumulated other comprehensive income (loss), beginning of year	**(4,241)**	5,714
Other comprehensive loss for the year	**(4,907)**	(9,955)
Accumulated other comprehensive loss, end of year	**(9,148)**	(4,241)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	**2010**	2009
(000s)	**($)**	($)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the year	**53,807**	(5,536)
Items not involving cash		
Depreciation	**79,794**	63,188
Amortization of debt issue costs and debt discount	**11,944**	849
Stock-based compensation	**6,967**	3,560
Gain on disposal of capital assets	**(930)**	(1,483)
Future income taxes	**9,748**	(6,082)
Non-controlling interest	**(67)**	124
	161,263	54,620
Net change in non-cash operating assets and liabilities (note 15)	**(42,044)**	1,307
	119,219	55,927
FINANCING ACTIVITIES		
Bank loan proceeds	**–**	5,000
Issuance of long-term debt	**473,671**	216,103
Bank loan repayments	**–**	(39,634)
Long-term debt repayments	**(288,913)**	(107,201)
Capital lease obligation repayments	**(1,217)**	(166)
Net proceeds on issuance of common shares	**9,658**	213
Loan receivable for purchase of common shares (note 17)	**(2,500)**	–
Dividends	**(5,414)**	(4,033)
	185,285	70,282
INVESTING ACTIVITIES		
Purchase of capital assets	**(118,941)**	(102,176)
Proceeds on disposal of capital assets	**5,243**	2,288
Acquisitions, net of cash acquired (note 14)	**(2,024)**	(18,692)
Net change in non-cash working capital from purchase of capital assets (note 15)	**16,285**	(10,534)
	(99,437)	(129,114)
Effect of exchange rate changes on cash and cash equivalents	**(13,533)**	(8,517)
Increase (decrease) in cash and cash equivalents	**191,534**	(11,422)
Cash and cash equivalents, beginning of year	**25,070**	36,492
Cash and cash equivalents, end of year	**216,604**	25,070

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2010 and 2009
(figures in text and tables are in 000s, except share data and certain other exceptions as indicated)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Calfrac Well Services Ltd. (the "Company") was formed through the amalgamation of Calfrac Well Services Ltd. (predecessor company originally incorporated on June 28, 1999) and Denison Energy Inc. on March 24, 2004 under the Business Corporations Act (Alberta). The Company provides specialized oilfield services, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services to the oil and natural gas industries in Canada, the United States, Russia, Mexico and Argentina.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The preparation of the consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The accounting policies and practices that involve the use of estimates that have a significant impact on the Company's financial results include the allowance for doubtful accounts, depreciation, the fair value of financial instruments, the carrying value of goodwill, income taxes, revenue recognition, and stock-based compensation.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Principles of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries in Canada, the United States, Russia, Cyprus and Mexico and its 80-percent-owned subsidiary in Argentina.

(b) Foreign Currency Translation

The Company's U.S. subsidiaries are classified as self-sustaining foreign operations and are translated into Canadian dollars using the current rate method whereby assets and liabilities are translated at the rate of exchange at the balance sheet date, revenues and expenses are translated at average monthly exchange rates, and gains and losses in translation are deferred and included in the shareholders' equity section as accumulated other comprehensive income in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*. All of the Company's other foreign subsidiaries are classified as integrated foreign operations and are translated into Canadian dollars using the temporal method whereby monetary assets and liabilities are translated at the rate of exchange at the balance sheet date, and non-monetary items are translated at the historical rate applicable on the date of the transaction giving rise to the non-monetary balance. Revenues and expenses are translated at monthly average exchange rates and gains or losses in translation are recognized in income as they occur.

(c) Comprehensive Income

The Company follows CICA Handbook Section 1530, *Comprehensive Income*, which requires the reporting of comprehensive income, which consists of net income and other comprehensive income (OCI). For the Company, OCI is currently comprised of the changes in the foreign currency translation adjustment balance.

The cumulative changes in OCI are included in accumulated other comprehensive income (AOCI), which is presented as a separate category within shareholders' equity in the consolidated balance sheets. The Company's consolidated financial statements include a statement of AOCI, which provides the continuity of the AOCI balance.

(d) Financial Instruments

The Company follows CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, which establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables" or "other financial liabilities" as defined by the standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at fair value. Accounts receivable are designated as "loans and receivables" and are carried at amortized cost. Accounts payable and accrued liabilities are designated as "other financial liabilities" and are carried at amortized cost. Long-term debt and capital lease obligations are designated as "other financial liabilities" and carried at amortized cost using the effective interest rate method. The financing costs associated with the Company's US$450,000 private placement of senior unsecured notes on November 18, 2010 are included in the amortized cost of the debt. These costs are amortized to interest expense over the term of the debt.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with original maturities of three months or less. Included in cash at December 31, 2010 is US$4,320 of restricted cash which was held for purposes of repaying the US$4,320 senior notes on February 15, 2011 (see note 4).

(f) Inventory

Inventory consists of chemicals, proppants, coiled tubing, cement, nitrogen and carbon dioxide used to stimulate oil and natural gas wells, as well as spare equipment parts. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, and net realizable value. For the year ended December 31, 2010, approximately $305,000 of inventory was expensed to operating costs (year ended December 31, 2009 – $229,000).

(g) Capital Assets

Capital assets are recorded at cost and are depreciated over their estimated economic useful lives using the straight-line method over the following periods:

Field equipment	5 to 10 years
Buildings	20 years
Shop, office and other equipment	5 years
Computers and computer software	3 years
Leasehold improvements	Term of the lease

Assets under construction are not depreciated until put into service.

(h) Goodwill

Goodwill represents the excess of cost over the fair value of net assets acquired. Goodwill is not amortized but rather assessed by the Company for impairment at least annually. The impairment test is carried out in two steps. In the first step, the carrying amount is compared with its fair value. When the fair value exceeds its carrying amount, goodwill is considered not to be impaired and performance of the second step of the impairment test is unnecessary. The second step compares the implied fair value of the goodwill with its carrying amount to measure the amount of the impairment loss, if any. The Company completed its annual assessment for goodwill impairment and determined there was no goodwill impairment for the years ended December 31, 2010 and 2009.

(i) Income Taxes

The Company follows the liability method of determining income taxes, whereby future income taxes are determined based on temporary differences between the tax bases of assets or liabilities and their carrying amounts in the financial statements.

(j) Revenue Recognition

Revenue is recognized for services upon completion provided reasonable assurance exists regarding collectability and the measurement of the consideration that will be derived.

(k) Stock-Based Compensation Plans

The Company recognizes compensation cost for the fair value of stock options granted. Under this method, the Company records the fair value of stock option grants over their vesting period as a charge to selling, general and administrative expenses and a credit to contributed surplus.

(l) Comparatives

Certain comparatives have been reclassified to conform with the financial statement presentation adopted in the current year.

(m) Recently Issued Accounting Pronouncements

The following CICA Handbook sections will become effective January 1, 2011:

Section 1582, *Business Combinations*, replaces the previous business combinations standard. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Section 1601, *Consolidated Financial Statements*, which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Section 1602, *Non-controlling Interests*, establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As a result, the Company will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed and implemented a changeover plan to complete the transition to IFRS, including the preparation of required comparative information. The full impact of IFRS on the Company's consolidated financial statements is not reasonably determinable at this time.

3. CAPITAL ASSETS

As at December 31,	2010	2009
(000s)	**($)**	($)
Cost		
Assets under construction	**65,748**	12,395
Field equipment	**713,335**	676,447
Field equipment under capital lease	**5,129**	5,127
Buildings	**38,333**	39,879
Land	**23,183**	21,221
Shop, office and other equipment	**10,833**	8,006
Computers and computer software	**9,499**	7,126
Leasehold improvements	**2,784**	2,296
	868,844	772,497
Accumulated Depreciation		
Assets under construction	**–**	–
Field equipment	**244,852**	177,041
Field equipment under capital lease	**836**	104
Buildings	**6,696**	4,812
Land	**–**	–
Shop, office and other equipment	**5,005**	3,863
Computers and computer software	**6,856**	6,544
Leasehold improvements	**1,454**	900
	265,699	193,264
Net Book Value		
Assets under construction	**65,748**	12,395
Field equipment	**468,483**	499,406
Field equipment under capital lease	**4,293**	5,023
Buildings	**31,637**	35,067
Land	**23,183**	21,221
Shop, office and other equipment	**5,828**	4,143
Computers and computer software	**2,643**	582
Leasehold improvements	**1,330**	1,396
	603,145	579,233

4. LONG-TERM DEBT

As at December 31,	2010	2009
(000s)	**($)**	($)
US$450,000 senior unsecured notes due December 1, 2020, bearing interest at 7.50% payable semi-annually	**447,570**	–
US$4,320 senior unsecured notes (December 31, 2009 – US$235,000) due February 15, 2015, bearing interest at 7.75% payable semi-annually	**4,297**	246,985
Less: unamortized debt issue costs and unamortized debt discount	**(8,638)**	(11,768)
	443,229	235,217
$160,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company	**–**	24,699
Less: unamortized debt issue costs	**(887)**	(1,128)
	(887)	23,571
Mortgage obligations maturing between December 2012 and March 2014 bearing interest at rates ranging from 5.15% to 6.69%, repayable $35 per month principal and interest, secured by certain real property	**3,176**	7,379
US$2,697 mortgage maturing May 2018 bearing interest at U.S. prime less 1%, repayable US$33 per month principal and interest, secured by certain real property	**2,682**	3,180
	448,200	269,347
Less: current portion of long-term debt	**(4,854)**	(1,996)
	443,346	267,351

The fair value of the senior unsecured notes based on the closing market price at December 31, 2010 was $457,682 (December 31, 2009 – $239,575). The carrying value of the revolving credit facility approximates its fair value due to its variable interest rate and first priority security position. The carrying values of the mortgage obligations approximate their fair values as the interest rates are not significantly different than current mortgage rates for similar loans.

The interest rate on the term revolving facility is based upon the parameters of certain bank covenants. For prime-based loans the rate ranges from prime plus 0.75 percent to prime plus 2.25 percent. For LIBOR-based loans and Bankers' Acceptance-based loans the margin thereon ranges from 2 percent to 3.5 percent above the respective base rates for such loans. The facility is repayable in equal quarterly principal instalments representing one-twentieth of the outstanding principal drawn on the facility, plus a final payment representing the remaining principal outstanding on September 27, 2013, assuming the facility is not extended. The term and commencement of principal repayments under the facility may be extended by one year on each anniversary at the request of the Company and acceptance by the lenders. The Company also has the ability to prepay principal without penalty. Debt issue costs related to this facility are amortized over its three-year term.

Interest on long-term debt (including the amortization of debt issue costs and debt discount) for the year ended December 31, 2010 was $48,758 (year ended December 31, 2009 – $14,641).

The US$4,320 senior unsecured notes were repaid in full on February 15, 2011 (plus accrued interest and call premium of US$335) and as a result, these notes have been included in the current portion of long-term debt as at December 31, 2010.

The aggregate scheduled principal repayments required in each of the next five years as at December 31, 2010 are as follows:

(000s)	($)
2011	**4,854**
2012	**2,625**
2013	**447**
2014	**935**
2015	**368**
	9,229

The Company also has an extendible operating loan facility which includes overdraft protection in the amount of $15,000. The interest rate is based upon the parameters of certain bank covenants in the same fashion as the revolving term facility. Drawdowns under this facility are repayable on September 27, 2013, assuming the facility is not extended. The term and commencement of principal repayments may be extended by one year on each anniversary at the request of the Company and acceptance of the lender. The operating facility is secured by the Canadian and U.S. assets of the Company.

At December 31, 2010, the Company had utilized $835 of its loan facility for letters of credit, leaving $174,165 in available credit.

5. OBLIGATIONS UNDER CAPITAL LEASES

As at December 31,	**2010**	2009
(000s)	**($)**	($)
Capital lease contracts bearing interest at rates ranging from 5.68% to 6.58%, repayable $124 per month, secured by certain equipment	**4,110**	5,599
Less: interest portion of contractual payments	**(301)**	(574)
	3,809	5,025
Less: current portion of capital lease obligations	**(1,294)**	(1,217)
	2,515	3,808

The carrying values of the capital lease obligations approximate their fair values as the interest rates are not significantly different from current rates for similar leases.

The minimum lease payments required in each of the next five years from December 31, 2010, are as follows:

(000s)	($)
2011	**1,490**
2012	**1,868**
2013	**752**
2014	**–**
2015	**–**
	4,110
Less: interest portion of contractual payments	**(301)**
	3,809

6. CAPITAL STOCK

Authorized capital stock consists of an unlimited number of common shares.

Continuity of Common Shares	**2010**		2009	
	Shares	**Amount**	Shares	Amount
	(#)	**($000s)**	(#)	($000s)
Balance, January 1	**42,898,880**	**251,282**	37,741,561	168,813
Issued upon exercise of stock options	**586,885**	**12,130**	12,975	262
Issued on acquisitions (note 14)	**–**	**–**	5,144,344	82,207
Issued for compensation (note 8(c))	**2,334**	**78**	–	–
Balance, December 31	**43,488,099**	**263,490**	42,898,880	251,282

The weighted average number of common shares outstanding for the year ended December 31, 2010 was 43,089,918 basic and 43,741,923 diluted (year ended December 31, 2009 – 38,475,444 basic and 38,475,444 diluted). The difference between basic and diluted shares for 2010 is attributable to the dilutive effect of stock options issued by the Company. For 2009, outstanding options were not included in the calculation of diluted shares, as they would have had an anti-dilutive effect.

7. CONTRIBUTED SURPLUS

Continuity of Contributed Surplus	2010	2009
(000s)	($)	($)
Balance, January 1	10,808	7,297
Stock-based compensation	6,889	3,560
Stock options exercised	(2,472)	(49)
Balance, December 31	15,225	10,808

8. STOCK-BASED COMPENSATION

(a) Stock Options

Continuity of Stock Options	2010 Options	2010 Average Exercise Price	2009 Options	2009 Average Exercise Price
	(#)	($)	(#)	($)
Balance, January 1	2,508,143	16.70	2,043,344	21.69
Granted during the period	1,113,200	20.95	865,000	8.60
Exercised for common shares	(586,885)	16.46	(12,975)	16.43
Forfeited	(93,341)	19.88	(222,826)	22.59
Expired	(357,292)	23.71	(164,400)	32.59
Balance, December 31	2,583,825	17.50	2,508,143	16.70

	Options Outstanding			Options Exercisable	
Exercise Price Per Option	Number of Options	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$8.35 – $16.75	1,013,250	2.75	$11.33	371,537	$15.31
$16.76 – $21.25	1,021,200	3.90	$20.68	43,125	$20.39
$21.26 – $23.25	470,875	2.61	$22.37	289,250	$22.48
$23.26 – $31.25	78,500	3.38	$26.45	26,250	$27.08
$8.35 – $31.25	2,583,825	3.20	$17.50	730,162	$18.87

Stock options vest equally over three or four years and expire three-and-one-half or five years from the date of grant. When stock options are exercised the proceeds, together with the amount of compensation expense previously recorded in contributed surplus, are added to capital stock.

The Company has applied the following assumptions in determining the fair value of options on the date of grant:

	2010	2009
Expected life (years)	**3.5**	3.5
Expected volatility	**47.9%**	47.5%
Risk-free interest rate	**2.1%**	2.6%
Expected dividends	**$0.10**	$0.10

(b) Stock Units

The Company grants deferred stock units to its outside directors. These units vest in November of the year of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred stock units is recognized equally over the vesting period, based on the current market price of the Company's shares. During the year ended December 31, 2010, $1,094 of compensation expense was recognized for deferred stock units (year ended December 31, 2009 – $669). This amount is included in selling, general and administrative expenses.

The Company grants performance stock units to the Company's most senior officers who are not included in the stock option plan. The amount of the grants earned is linked to corporate performance and the grants vest on the approval of the Board of Directors of the Company at the meeting held to approve the financial statements for the year in respect of which performance is being evaluated. As with the deferred stock units, performance stock units are settled either in cash or Company shares purchased on the open market. During the year ended December 31, 2010, $1,971 of compensation expense was recognized for performance stock units (year ended December 31, 2009 – $506). This amount is included in selling, general and administrative expenses.

Changes in the Company's obligations under the deferred and performance stock unit plans, which arise from fluctuations in the market value of the Company's shares underlying these compensation programs, are recorded as the share value changes.

(c) Stock

During 2010, a senior officer of the Company was issued 2,334 shares from treasury having a fair value of $78 at the time of issuance. The amount formed part of the officer's compensation and accordingly, this amount was included in selling, general and administrative expenses.

9. INCOME TAXES

The following table summarizes the income tax effect of temporary differences that give rise to the future income tax asset (liability) at December 31:

As at December 31,	**2010**	2009
(000s)	**($)**	($)
Capital assets	**(74,421)**	(61,377)
Losses carried forward	**61,333**	65,993
Canadian exploration expenses	**8,591**	8,137
Research and development expenses	**1,823**	1,823
Alternative minimum tax credits	**–**	893
Capital lease obligations	**952**	1,257
Deferred compensation payable	**482**	142
Deferred financing and share issue costs	**4,267**	175
Other	**3,065**	(51)
	6,092	16,992

Net future income taxes at December 31, 2010 are represented by future income tax assets of $34,598 (December 31, 2009 – $37,466) less future income tax liabilities of $28,506 (December 31, 2009 – $20,474). Loss carry-forwards expire at various dates ranging from December 31, 2013 to December 31, 2030.

The provision for income taxes in the statement of operations and retained earnings varies from the amount that would be computed by applying the expected tax rate of 28 percent (2009 – 29 percent) to income before income taxes and non-controlling interest. The main reasons for differences between such expected income tax expense and the amount recorded are:

Years Ended December 31,	**2010**	2009
(000s except percentages)	**($)**	($)
Income (loss) before income tax and non-controlling interest	**61,587**	(9,641)
Income tax rate (%)	**28.00**	29.00
Computed expected income tax expense	**17,244**	(2,796)
Increase (decrease) in income taxes resulting from:		
Drawdown of deferred credit	**(2,505)**	(83)
Non-deductible expenses/non-taxable income	**489**	2,072
Foreign tax rate and other foreign differences	**(7,841)**	(4,091)
Translation of foreign subsidiaries	**741**	(993)
Foreign withholding taxes	**127**	3
Future income tax adjustment from tax rate reductions	**(1,354)**	1,805
Other	**946**	(146)
	7,847	(4,229)

10. DEFERRED CREDIT

On the amalgamation of Denison and the Company on March 24, 2004, a future income tax asset associated with Denison's income tax pools was recognized in the accounts. Denison had tax pools of approximately $220,000 for federal income tax purposes and $170,000 for provincial income tax purposes. After tax affecting these pools at applicable federal and provincial income tax rates, a future income tax asset of $70,771 was recorded. The fair value paid for the tax pools acquired was estimated to be $11,000. The difference between the future income tax asset recognized and the fair value of these tax pools was recorded as a deferred credit in the amount of $59,771. The deferred credit is reduced as these tax pools are utilized and it was reduced to nil during 2010.

11. NON-CONTROLLING INTEREST

The continuity of the 20 percent non-controlling interest in a subsidiary of the Company is as follows:

	2010	2009
(000s)	**($)**	($)
Balance, January 1	**168**	44
Share of income (loss)	**(67)**	124
Balance, December 31	**101**	168

12. COMMITMENTS

The Company has lease commitments for premises, equipment, vehicles and storage facilities under agreements requiring aggregate minimum payments over the next seven years from December 31, 2010, as follows:

(000s)	**($)**
2011	**10,853**
2012	**7,371**
2013	**4,896**
2014	**2,780**
2015	**2,225**
2016	**401**
2017	**66**
	28,592

The Company has obligations for the purchase of products, services and capital assets over the next three years that total approximately $181,554.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments that are included on the consolidated balance sheets are comprised of cash and cash equivalents, accounts receivable, current liabilities, long-term debt and capital lease obligations.

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments that are included on the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the senior unsecured notes based on the closing market price at December 31, 2010 was $457,682 before deduction of unamortized debt issue costs of $8,638 (December 31, 2009 – $239,575 before deduction of unamortized debt issue costs and debt discount of $11,768). The fair values of the remaining long-term debt and capital lease obligations approximate their carrying values, as described in notes 4 and 5.

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At December 31, 2010, the Company had a provision for doubtful accounts receivable of $1,502 related primarily to a customer who filed for Chapter 11 restructuring under U.S. bankruptcy law in 2008.

Payment terms with customers vary by country and contract. However, standard payment terms are 30 days from invoice date. The Company's aged trade accounts receivable at December 31, 2010, excluding provision for doubtful accounts, is as follows:

As at December 31,	2010
(000s)	($)
Current	**112,537**
31 – 60 days	**51,977**
61 – 90 days	**4,005**
91+ days	**3,115**
Total	**171,634**

(c) Interest Rate Risk

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any debt outstanding that is subject to floating interest rates. The increase or decrease in interest expense for each 1 percent change in interest rates on floating rate debt outstanding at December 31, 2010 amounts to nil (2009 – $247) because the Company had no floating-rate debt outstanding.

The Company's effective interest rate for the year ended December 31, 2010 was 8.3 percent (December 31, 2009 – 7.5 percent).

(d) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity position on an ongoing basis to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and continuously monitoring its forecast and actual cash flows. The Company may also adjust its capital spending and dividends to shareholders to maintain liquidity.

(e) Foreign Exchange Risk

The Company is exposed to foreign exchange risk associated with foreign operations where revenues and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar, Russian rouble, Mexican peso and Argentine peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and capital assets from vendors in the U.S. In addition, the Company's senior unsecured notes and related interest expense are denominated in U.S. dollars; the amount of debt and interest expressed in Canadian dollars varies with fluctuations in the US$/Cdn$ exchange rate; however, this risk is mitigated by the Company's sizable U.S. operations and related revenue streams.

At December 31, 2010, a change in the value of foreign currencies in the Company's consolidated financial instruments (cash, accounts receivable, accounts payable and debt) would have had the following impact on net income and other comprehensive income:

	Increase (Decrease) to Net Income	Increase (Decrease) to Other Comprehensive Income
(000s)	($)	($)
1% decrease in value of U.S. dollar	1,408	651
1% increase in value of U.S. dollar	(1,408)	(651)
1% decrease in value of Russian rouble	(103)	–
1% increase in value of Russian rouble	103	–

14. ACQUISITIONS

(a) Subsidiary

In March 2010, the Company acquired a non-controlling interest in one of its subsidiaries for $2,024. The agreement required an immediate cash payment of $1,527 as well as a second cash payment to be made in 2011, which is based upon a formula incorporating the earnings generated by the subsidiary during 2010, subject to a minimum payment. The second cash payment is currently estimated to be $497. The acquisition was accounted for as a step acquisition and the consideration paid has been assigned to goodwill as the fair value of the subsidiary's tangible assets, net of liabilities, was nominal.

(b) Asset Acquisition

On August 14, 2009, the Company purchased the fracturing assets of a competitor for $44,513 including related transaction costs. The Company acquired $42,252 of capital assets comprised of fracturing equipment and certain real property, as well as $2,261 of the vendor's parts and materials inventory. The purchase price was satisfied through payment of $41,071 in cash and the assumption of long-term debt in the amount of $3,442.

(c) Century Oilfield Services Inc.

On November 10, 2009, the Company acquired all of the issued and outstanding shares of Century Oilfield Services Inc. for aggregate consideration of $100,898. The Company issued 5,144,344 common shares at a value of $15.98 per share (based on the volume-weighted average share price for the three days prior to and after the announcement date of September 20, 2009) with a value of $82,207 in conjunction with the acquisition, in addition to cash of $13,506 and transaction costs of $5,185. Net assets acquired and liabilities assumed were as follows:

(000s)	($)
Working capital	18,216
Capital assets	108,930
Future income tax asset	21,014
Bank loan and long-term debt	(42,069)
Obligation under capital leases	(5,193)
Total consideration	100,898

15. SUPPLEMENTAL INFORMATION

Changes in non-cash operating assets and liabilities for the years ended December 31, 2010 and 2009 are as follows:

Years Ended December 31,	**2010**	2009
(000s)	**($)**	($)
Accounts receivable	**(41,877)**	605
Income taxes recoverable	**(1,504)**	4,901
Inventory	**(14,677)**	4,224
Prepaid expenses and deposits	**(1,640)**	3,183
Accounts payable and accrued liabilities	**17,818**	(11,465)
Other long-term liabilities	**(164)**	(141)
	(42,044)	1,307
Interest paid	**40,148**	12,070
Income taxes paid (received)	**(397)**	(3,048)

Changes in non-cash working capital from the purchase of capital assets for the years ended December 31, 2010 and 2009 are as follows:

Years Ended December 31,	**2010**	2009
(000s)	**($)**	($)
Accounts payable and accrued liabilities	**16,285**	(10,534)
	16,285	(10,534)

The preceding amounts exclude any changes in working capital resulting from the acquisitions described in note 14.

16. CAPITAL STRUCTURE

The Company's capital structure is comprised of shareholders' equity and long-term debt. The Company's objectives in managing capital are (i) to maintain flexibility so as to preserve the Company's access to capital markets and its ability to meet its financial obligations, and (ii) to finance growth, including potential acquisitions.

The Company manages its capital structure and makes adjustments in light of changing market conditions and new opportunities, while remaining cognizant of the cyclical nature of the oilfield services sector. To maintain or adjust its capital structure, the Company may revise its capital spending, adjust dividends paid to shareholders, issue new shares or new debt or repay existing debt.

The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of long-term debt to cash flow. Cash flow for this purpose is defined as cash provided by operating activities before the net change in non-cash operating assets and liabilities as reflected in the consolidated statements of cash flows. The ratio of long-term debt to cash flow does not have any standardized meaning prescribed under GAAP and may not be comparable to similar measures used by other companies.

At December 31, 2010, the long-term debt to cash flow ratio was 2.78:1 (December 31, 2009 – 4.93:1) calculated on a 12-month trailing basis as follows:

As at December 31,	2010	2009
(000s)	($)	($)
Long-term debt (net of unamortized debt issue costs and debt discount) (note 4)	**448,200**	269,347
Cash flow	**161,263**	54,620
Long-term debt to cash flow ratio	**2.78:1**	4.93:1

The Company is subject to certain financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. The Company is in compliance with all such covenants.

The Company's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented.

17. RELATED-PARTY TRANSACTIONS

An entity controlled by a director of the Company provides ongoing real estate advisory services to the Company. The aggregate fees charged during 2010 for such services following the election of said director on May 11, 2010 was $83, as measured at the exchange amount.

In November 2010, the Company loaned a senior officer $2,500 for the purpose of facilitating the purchase of common shares of the Company on the Toronto Stock Exchange. The loan is on a non-recourse basis and is secured by the common shares acquired with the loan proceeds. It is for a term of five years and bears interest at the rate of 3.375 percent per annum, payable annually. The market value of the shares that secure the loan was approximately $2,900 as of December 31, 2010. In accordance with applicable accounting standards regarding share purchase loans receivable, this loan has been classified as a reduction of shareholders' equity due to its non-recourse nature. In addition, the shares purchased with the loan proceeds are considered to be in substance, stock options. As a result, the estimated fair value of the benefit associated with the loan of approximately $1,200 was recognized as a charge to selling, general and administrative expenses and a credit to contributed surplus.

18. CONTINGENCIES

Greek Operations

As a result of the acquisition and amalgamation with Denison in 2004, the Company assumed certain legal obligations relating to Denison's Greek operations.

In 1998, North Aegean Petroleum Company E.P.E. ("NAPC"), a Greek subsidiary of a consortium in which Denison participated (and which is now a majority-owned subsidiary of the Company), terminated employees in Greece as a result of the cessation of its oil and natural gas operations in that country. Several groups of former employees have filed claims against NAPC and the consortium alleging that their termination was invalid and that their severance pay was improperly determined.

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately $9,118 (6,846 euros) plus interest was due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. NAPC and the Company are assessing available rights of appeal to any other levels of court in any jurisdiction where such an appeal is warranted. Counsel to NAPC has obtained a judicial order entitling NAPC to obtain certain employment information in respect of the plaintiffs which is required in order to assess the extent to which the plaintiffs have mitigated any damages which may otherwise be payable.

Several other smaller groups of former employees have filed similar cases in various courts in Greece. One of these cases was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded compensation for additional work of approximately $46 (35 euros), plus interest. The appeal of this decision was heard on June 2, 2009, at which time an additional claim by the plaintiff seeking damages of $297 (223 euros), plus interest, was also heard. A decision in respect of the hearing has been rendered which accepted NAPC's appeal and rejected the additional claim of the plaintiff. Another one of the lawsuits seeking salaries in arrears of $170 (128 euros), plus interest, was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons due to improper service. A rehearing of this appeal was heard on September 21, 2010 and the decision rendered declared once again the appeal inadmissible due to technical reasons. The remaining action, which is seeking salaries in arrears of approximately $585 (439 euros) plus interest, was scheduled to be heard before the Athens Court of First Instance on October 1, 2009, but was adjourned until November 18, 2011 as a result of the Greek elections.

The Company has signed an agreement with a Greek exploration and production company pursuant to which it has agreed to assign approximately 90 percent of its entitlement under an offshore licence agreement for consideration including a full indemnity in respect of the Greek legal claims described above. The completion of the transactions contemplated by such agreement is subject to certain conditions precedent, the fulfillment of which is not in the Company's control.

The direction and financial consequences of the potential decisions in these actions cannot be determined at this time and, consequently, no provision has been recorded in these financial statements.

Potential Claim

The Company has a potential claim related to a contract the outcome of which is not reasonably determinable at this time. The amount of the claim on an after-tax basis is estimated to be approximately $2,100.

19. SEGMENTED INFORMATION

The Company's activities are conducted in four geographic segments: Canada, Russia, the United States and Latin America. All activities are related to hydraulic fracturing, coiled tubing, cementing and well stimulation services for the oil and natural gas industry.

	Canada	Russia	United States	Latin America	Corporate	Consolidated
(000s)	($)	($)	($)	($)	($)	($)
Year Ended December 31, 2010						
Revenue	**507,247**	**76,595**	**301,512**	**50,573**	**–**	**935,927**
Operating income (loss) [(1)]	**148,900**	**8,944**	**65,432**	**(6,317)**	**(31,517)**	**185,442**
Segmented assets	**647,078**	**120,439**	**316,177**	**31,842**	**–**	**1,115,536**
Capital expenditures	**36,797**	**14,085**	**66,115**	**1,944**	**–**	**118,941**
Goodwill	**7,236**	**979**	**2,308**	**2,024**	**–**	**12,547**
Year Ended December 31, 2009						
Revenue	241,821	66,630	218,276	64,773	–	591,500
Operating income (loss) [(1)]	32,864	18,967	25,893	10,612	(17,201)	71,135
Segmented assets	447,889	110,372	240,975	41,654	–	840,890
Capital expenditures	35,196	7,798	56,558	2,624	–	102,176
Goodwill	7,236	979	2,308	–	–	10,523

[(1)] Operating income (loss) is defined as net income (loss) plus depreciation, interest, foreign exchange gains or losses, gains or losses on disposal of capital assets, income taxes and non-controlling interest.

The following table sets forth consolidated revenue by service line:

Years Ended December 31,	2010	2009
(000s)	**($)**	($)
Fracturing	**828,892**	504,441
Coiled tubing	**73,156**	47,667
Cementing	**20,530**	25,696
Other	**13,349**	13,696
	935,927	591,500

The Company's customer base consists of over 220 oil and natural gas exploration and production companies, ranging from large multinational public companies to small private companies. Notwithstanding the Company's broad customer base, Calfrac has four significant customers that collectively accounted for approximately 30 percent of the Company's revenue for the year ended December 31, 2010 (year ended December 31, 2009 – four significant customers for approximately 49 percent) and of such customers, one customer accounted for approximately 8 percent of the Company's revenue for the year ended December 31, 2010 (year ended December 31, 2009 – 17 percent).

20. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian GAAP which, in most respects, conforms to U.S. GAAP. Any differences in accounting principles between Canadian GAAP and U.S. GAAP as they apply to the Company are not material, except as described below. The adjustments below are measurement differences only and do not reflect any disclosure differences that may exist between Canadian GAAP and U.S. GAAP.

The application of U.S. GAAP would affect consolidated net income, comprehensive income and accumulated other comprehensive income for the years ended December 31, 2010 and 2009 as follows:

Years Ended December 31	**2010**	2009
(000s, except per share data)	**($)**	($)
Net income (loss) under Canadian GAAP	**53,807**	(5,536)
Adjustments		
Selling, general and administrative expenses (a)	**–**	(5,185)
Gain on disposal of capital assets (a)	**(568)**	–
Depreciation (a)	**(1,649)**	(242)
Future income tax recovery (a)	**554**	1,357
Non-controlling interest (b)	**(67)**	124
Net income (loss) under U.S. GAAP	**52,077**	(9,482)
Attributable to:		
Calfrac	**52,144**	(9,606)
Non-controlling interest	**(67)**	124
	52,077	(9,482)
Other comprehensive income (loss)		
Change in foreign currency translation adjustment	**(4,907)**	(9,955)
Comprehensive income (loss) under U.S. GAAP	**47,170**	(19,437)
Basic		
Income (loss) per share under U.S. GAAP	**1.21**	(0.25)
Diluted		
Income (loss) per share under U.S. GAAP	**1.19**	(0.25)
Accumulated other comprehensive income (loss)		
Balance, beginning of year – U.S. GAAP	**(4,241)**	5,714
Other comprehensive income	**(4,907)**	(9,955)
Balance, end of year – U.S. GAAP	**(9,148)**	(4,241)

The application of U.S. GAAP would have the following effect on the consolidated balance sheets as reported:

As at December 31,	2010		2009	
	Canadian GAAP	**U.S. GAAP**	Canadian GAAP	U.S. GAAP
(000s)	**($)**	**($)**	($)	($)
Assets				
Cash and cash equivalents (f)	**216,604**	**216,604**	25,070	28,182
Capital assets (a)	**603,145**	**614,006**	579,233	592,311
Deferred charges (d)	**–**	**9,525**	–	7,168
Goodwill (a)	**12,547**	**10,523**	10,523	10,523
Future income taxes (a)	**34,598**	**33,179**	37,466	35,493
Liabilities				
Bank indebtedness (f)	**–**	**–**	–	3,112
Long-term debt (d)	**443,346**	**452,871**	267,351	274,519
Non-controlling interest (b)	**101**	**–**	168	–
Shareholders' equity				
Capital stock (a)	**263,490**	**278,665**	251,282	266,457
Non-controlling interest (b)	**–**	**101**	–	168
Retained earnings	**250,476**	**242,719**	202,083	198,013

(a) Business Combinations:

Effective January 1, 2009 the Company adopted the new U.S. GAAP standards on *Business Combinations*. The new standard maintains the use of the acquisition method of accounting for all business combinations and requires that an acquirer be identified for each business combination. The standard also establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and non-controlling interests in an acquiree and any goodwill acquired in a business combination. Equity securities issued as consideration in a business combination are recorded at fair value as of the acquisition date. In addition, entities are required to expense transaction costs associated with the transaction. Effective January 1, 2009 the Company also adopted new guidance on *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination*. Under this statement, an acquirer is required to recognize at fair value an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. These statements have been applied to transactions after January 1, 2009.

On the acquisition of Century in November 2009, consideration comprised cash and common shares of the Company. Under U.S. GAAP, the total consideration and the purchase price allocation would be recorded differently as a result of the following:

1) Share consideration – U.S. GAAP requires the share price on the date of closing the acquisition ($18.93) be used in determining share consideration for the purchase equation. For Canadian GAAP purposes, the volume-weighted average share price of $15.98 for the three days prior to and after the announcement date was used.

2) Transaction costs of $5,185 were expensed when incurred.

3) Depreciation costs are higher due to the higher carrying value of capital assets for U.S. GAAP purposes. Under Canadian GAAP, negative goodwill on the transaction was allocated on a pro rata basis to the capital assets acquired. For U.S. GAAP purposes, the difference in consideration that arose from the use of the acquisition closing date was included in the value ascribed to capital assets.

4) Future income tax assets would be decreased as a result of the higher value ascribed to the capital assets.

5) Future tax expense (recovery) for U.S. GAAP purposes would be higher due to lower net income arising from increased depreciation and transaction costs.

In 2010, the Company disposed of some Century capital assets. Due to the higher carrying value of capital assets under U.S. GAAP, the resulting gain on disposal of these assets was lower when compared to Canadian GAAP.

Under Canadian GAAP, the Company's purchase of fracturing assets of a competitor is considered an asset acquisition. Under U.S. GAAP, this transaction is considered a business combination. There were no significant differences in the values assigned in the purchase price allocation between Canadian and U.S. GAAP. The purchase price was allocated to capital assets $42,252, inventory $2,261 and long-term debt $3,442 using fair values of the net assets at the date of acquisition. Transaction costs were not significant.

The Company's acquisition of a non-controlling interest in one of its subsidiaries for $2,024 in March 2010 (note 14(a)) would be recorded as an equity transaction under U.S. GAAP. Retained earnings would be adjusted for the amount recorded as goodwill under Canadian GAAP.

(b) Non-Controlling Interests:

Effective January 1, 2009 the Company adopted new U.S. GAAP guidance on *Non-Controlling Interests in Consolidated Financial Statements*. This standard recognizes that a non-controlling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. This statement also changed the way the consolidated statements of income (loss) and comprehensive income (loss) are presented by requiring consolidated net income (loss) and comprehensive income (loss) to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest.

Under U.S. GAAP, the non-controlling interests on the statements of operations and balance sheets are reclassified from the current presentation. On the balance sheets, non-controlling interests are presented as a separate component of shareholders' equity. On the statements of operations, net income (loss) includes both the Company's and the non-controlling interests' share of net income (loss) for the period. Net income (loss) attributable to the Company is disclosed separately, below net income (loss). The reclassification had no impact on earnings (loss) per share for either period presented.

(c) Stock-Based Compensation:

Under Canadian GAAP, the Company recognizes compensation cost for the fair value of stock option grants over the vesting period of these grants as a charge to compensation expense and a credit to contributed surplus. The Company also recognizes compensation cost, over the vesting period, for the fair value of its deferred stock units and performance stock units, estimated based on the current market price of the Company's shares.

The Company uses the revised standards outlined under *Share-Based Payment* for U.S. GAAP. Under these standards, the Company is required to determine and incorporate a forfeiture multiplier into its calculation of stock-based compensation cost for its stock options and stock units. Under Canadian GAAP the Company accounts for forfeitures as they occur. The Company estimates that the impact of any forfeiture multiplier would not result in a significant difference between Canadian and U.S. GAAP.

(d) Long-Term Debt Issue Costs:

Under Canadian GAAP, the Company includes financing costs in the amortized cost of the long-term debt. Under U.S. GAAP, financing costs associated with the long-term debt would be classified separately as a deferred long-term asset and amortized over the term of the long-term debt also using the effective interest rate method.

The consolidated balance sheet as at December 31, 2010, as a result, would be adjusted to reflect a deferred long-term asset of $9,525 with an offsetting increase to long-term debt (December 31, 2009 – $7,168).

(e) Future Income Taxes:

On January 1, 2007, the Company adopted U.S. guidance on *Accounting for Uncertainty in Income Taxes* clarifying the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect, if any, of applying the guidance for income tax uncertainties is to be reported as an adjustment to opening retained earnings in the year of adoption. The adoption of the standard did not have a material impact on the consolidated financial statements.

The Company and its entities are subject to income taxation and related audits in the various tax jurisdictions in which they operate. The tax years from 2003 to 2010 remain open to examination in Canada, the tax years from 2007 to 2010 remain open to examination in the U.S, the tax years from 2008 to 2010 remain open to examination in Russia, the tax years from 2007 to 2010 remain open to examination in Mexico and the tax years 2008 to 2010 remain open to examination in Argentina.

In addition, pursuant to Canadian GAAP, substantively enacted tax rates are used to calculate future income tax, whereas U.S. GAAP applies enacted tax rates. There are no differences for the year ended December 31, 2010 and 2009 relating to tax rate differences.

(f) Statements of Cash Flows and Operations:

The differences between Canadian GAAP and U.S. GAAP have not resulted in any significant variances concerning the consolidated statements of cash flows as reported except for the following:

1) Under U.S. GAAP the presentation of funds provided by operations as a sub-total in the operating activities section of the consolidated statements of cash flows would not be permitted;

2) Operating activities for the 2009 year would be $5,185 lower and investing activities would be higher by the same amount as a result of expensing transaction costs under U.S. GAAP. Differences in depreciation expense and future income tax recoveries as well as classification of non-controlling interests would impact net loss and non-cash items within operating activities but would have no impact on overall operating activities.

In addition, under Canadian GAAP, bank overdrafts used to manage day-to-day cash can be classified as cash and cash equivalents. Under U.S. GAAP, bank overdrafts are liabilities that should be considered a form of short-term financing and classified as cash flows from financing activities. As at December 31, 2010, the Company had no outstanding bank overdrafts (December 31, 2009 – $3,112). As at December 31, 2009, the consolidated balance sheet would be adjusted to reflect additional cash and cash equivalents of $3,112 and bank indebtedness of $3,112. The effect of this is an outflow of cash from financing activities of $3,112 for the year ended December 31, 2010 (year ended December 31, 2009 – $3,112 inflow).

(g) Recently Issued Accounting Standards:

There are no relevant recently issued accounting standards that would impact the Company.

HISTORICAL REVIEW

Years Ended December 31,	**2010**	2009	2008	2007	2006
(000s, except per share and unit data)	**($)**	($)	($)	($)	($)
Financial Results					
Revenue	**935,927**	591,500	564,363	460,320	426,418
Operating income [(1)]	**185,442**	71,135	81,940	100,094	107,012
Net income (loss)	**53,807**	(5,536)	17,864	38,568	72,450
Per share – basic	**1.25**	(0.14)	0.47	1.06	2.00
– diluted	**1.23**	(0.14)	0.47	1.06	1.98
Funds provided by operations [(1)]	**161,263**	54,620	80,747	87,642	101,932
Per share – basic	**3.74**	1.42	2.14	2.40	2.81
– diluted	**3.69**	1.42	2.14	2.40	2.79
EBITDA [(1)]	**190,166**	68,795	83,957	97,789	109,533
Per share – basic	**4.41**	1.79	2.23	2.68	3.02
– diluted	**4.35**	1.79	2.23	2.68	3.00
Capital expenditures	**118,941**	102,176	84,807	91,939	155,478
Financial Position					
Current assets	**465,246**	213,668	210,157	157,494	110,911
Total assets	**1,115,536**	840,890	691,772	558,910	454,190
Working capital	**342,783**	128,243	100,575	92,156	31,225
Long-term debt	**443,346**	267,351	159,899	129,535	60,000
Shareholders' equity	**517,543**	459,932	393,476	350,915	303,510
Common Share Data					
Common shares outstanding (#) at December 31	**43,488**	42,899	37,742	37,202	36,388
Weighted average (basic)	**43,090**	38,475	37,697	36,463	36,286
Share trading					
High ($)	**35.85**	21.52	32.74	25.58	46.21
Low ($)	**16.41**	6.40	7.90	16.00	18.07
Close ($)	**34.24**	20.85	8.70	17.62	22.10
Volume (#)	**35,092**	30,750	45,352	29,631	39,272
Operating (end of year)					
Pumping horsepower (000s)	**481**	456	287	242	164
Coiled tubing units (#)	**29**	28	18	18	14
Cementing units (#)	**21**	21	18	16	13

(1) Refer to "Non-GAAP Measures" on page 27 for further information.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison
Chairman [1][2]
President &
Chief Executive Officer
Matco Investments Ltd.

Douglas R. Ramsay [4]
Chief Executive Officer
Calfrac Well Services Ltd.

Kevin R. Baker [2][3]
President &
Managing Director
Baycor Capital Inc.

James S. Blair [3][4]
President &
Chief Executive Officer
Glenogle Energy Inc.

Gregory S. Fletcher [1][2]
President
Sierra Energy Inc.

Lorne A. Gartner [1][4]
Independent Businessman

R.T. (Tim) Swinton [1][2][3]
Independent Businessman

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance and Nominating Committee
(4) Member of the Health, Safety and Environment Committee

OFFICERS

Douglas R. Ramsay
Chief Executive Officer

Fernando Aguilar
President &
Chief Operating Officer

Gordon A. Dibb
Executive Vice President

Laura A. Cillis
Senior Vice President, Finance
& Chief Financial Officer

John L. Grisdale
President,
United States
Operating Division

OFFICERS

F. Bruce Payne
President,
Canadian Operating Division

Robert L. Sutherland
President,
Russian Operating Division

O. Alberto Bertolin
Director General,
Latin America Division

Armando J. Bertolin
Director General,
Latin America Division

Dwight M. Bobier
Senior Vice President,
Technical Services

Stephen T. Dadge
Senior Vice President,
Health, Safety & Environment

Tom J. Medvedic
Senior Vice President,
Corporate Development

Donald R. Battenfelder
Vice President,
Global Operations

L. Lee Burleson
Vice President, Sales,
Marketing & Engineering
United States
Operating Division

Robert J. Montgomery
Vice President, Operations,
Canadian Operating Division

B. Mark Paslawski
Vice President,
General Counsel
& Corporate Secretary

Gary J. Rokosh
Vice President, Sales,
Marketing & Engineering
Canadian Operating Division

Patrick J. Schneider
Vice President, Operations,
United States
Operating Division

A. Scott Tuttle
Vice President,
Human Resources

Michael D. Olinek
Corporate Controller

Matthew L. Mignault
Controller

HEAD OFFICE

411 Eighth Avenue S.W.
Calgary, Alberta T2P 1E3
Phone: 403-266-6000
Toll Free: 1-866-770-3722
Fax: 403-266-7381
Email: info@calfrac.com
Website: www.calfrac.com

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

BANKERS

HSBC Bank Canada
Alberta Treasury Branches
Royal Bank of Canada
Export Development Canada

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Trading Symbol: CFW

OPERATING BASES

Alberta, Canada
Calgary – Head Office
Calgary – Technology and Training Centre
Edson
Grande Prairie
Medicine Hat
Red Deer

British Columbia, Canada
Dawson Creek
Fort Nelson

Saskatchewan, Canada
Estevan

Colorado, United States
Denver – Regional Office
Grand Junction
Platteville

Arkansas, United States
Beebe

Pennsylvania, United States
Smithfield

North Dakota, United States
Williston

Mexico
Mexico City – Regional Office
Reynosa
Poza Rica

Russia
Moscow – Regional Office
Khanty-Mansiysk
Noyabrsk
Nefteugansk

Argentina
Buenos Aires – Regional Office
Catriel

REGISTRAR AND TRANSFER AGENT

For information concerning lost share certificates and estate transfers or for a change in share registration or address, please contact the transfer agent and registrar at 1-800-564-6253 or by email at service@computershare.com, or write to:
COMPUTERSHARE INVESTOR SERVICES INC.
9th floor, 100 University Avenue, Toronto, Ontario M5J 2Y1

ANNUAL MEETING

The Annual Meeting of shareholders of Calfrac Well Services Ltd. will be held on May 10, 2011 at 3:30 p.m. (Mountain Daylight Time) in the McMurray Room of the Calgary Petroleum Club, Calgary, Alberta. All shareholders are cordially invited and encouraged to attend. Shareholders who are unable to attend the meeting are requested to complete and return the Instrument of Proxy to Computershare Investor Services Inc. at their earliest convenience.

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CALFRAC WELL SERVICES

411–8 Avenue S.W., Calgary, Alberta, T2P 1E3
Email: info@calfrac.com